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NEWS SUMMARY

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... Newspaper Publishers ... tion said last night that ... not accept the action ... union. Back Page; Print ... erger talks, Page 6

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...nce by Bishop Abel ... ya of Mr. Ian Smith's ... r an internal settlement ... Rhodesia problem opens ... for preliminary talks to ... Salisbury this week. ... ile, Rhodesian authorities ... fused to confirm that a ... raid has been launched ... mbique. Page 4; Leader,

...e ends

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...he Basque separatist ... tion, claimed responsi... r killing the police chief ... dona on Saturday night ... of a lack of money. ... ire police force has been ... accept only 57 recruits ... 00 people who applied.

BUSINESS

Grocery bills rise more sharply

● GROCERY bills have increased more sharply this month than in the previous two months, partly because of higher prices for coffee, fruit and vegetables.

The FT grocery prices index is up 1.6 per cent. to 262.10, compared with increases of less than 0.5 per cent. in September and October. But the index is still below its June peak of 266.6 and the rate of year-on-year *inflation* is still edging down. Details Page 32

● UNION LEADERS will meet on Wednesday to decide the next move on a pay claim for more than 1m. local authority manual workers, after the *decision* by NUPE, the biggest union involved, to reject a 10 per cent. offer. Page 6

● *ITALIAN Government* is expected to bring in further austerity measures aimed at bringing the public sector deficit down closer to the level agreed with the IMF. Page 4

Nuclear power could bridge U.K. energy gap

● ENERGY COMMISSION, which meets for the first time today, will consider forecasts that Britain may face an energy shortage in future unless it embarks *on investment in* nuclear power. Back Page. Feature, Page 14

● COLT CARS will postpone introduction of Mitsubishi's Canter truck in the U.K. until late next year, *when a new model* is due to be launched. The delay will allow Colt time to build up a stronger dealer network. Page 8

● *MERIDEN motor cycle* co-operative is more optimistic after *clearing* the big stockpile of bikes that caused a cash crisis a year ago. Page 6

● CBI LEADERS are drawing up *plans to give their members* a bigger policy-making role at their second national conference next November, after the success of their first conference in Brighton earlier this month. Page 6

● GOVERNMENT this week will announce details of a competition policy review which could result in changes in the rules affecting mergers and monopolies. Page 30 Lombard, Page 2

Healey protests over French export move

● CHANCELLOR, Mr. Denis Healey, has protested to France over indications that the French may break the *international* agreement aimed at keeping export *credit rates in line*. Britain is anxious to avoid self-defeating competition between the main exporting nations on credit terms. Back Page

● CHINA'S Foreign Trade *Minister*, Mr. Li Chiang, arrives in London to-day for talks with Government Ministers and industrialists. His visit suggests that China, intent on modernisation, is seriously *considering the U.K.* as a potential supplier of equip*ment*. Page 4

● WELSH industry should be assisted mainly through Government grants, since this type *of aid strengthens* companies' ability to raise cash commercially, according to the Development Corporation for Wales in evidence to the Wilson committee on financial institutions. Page 6

● SLOWER GROWTH in the U.S. money supply and evidence of greater *flexibility in the* Federal Reserve Board's monetary policy have created hopes of stability in the New York money markets. Page 4

● IRAN is negotiating foreign loans totalling $890m. for economic development. Page 4

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SADAT SAYS HE WOULD HOLD TALKS WITHOUT OTHER ARAB STATES

Cairo peace move

BY ROGER MATTHEWS, CAIRO NOV. 27

PRESIDENT SADAT of Egypt, declaring that he was planning to negotiate a comprehensive Middle East settlement with or without other Arab States, *to-night issued formal invitations* to a preparatory conference in Cairo any time from Saturday.

The invitations were issued to Israel, Syria, Jordan, Lebanon and the "Palestinians," the main parties involved in the Middle East conflict, *plus the* United States and the Soviet Union, co-chairmen of the Geneva conference.

Mr. Sadat, speaking in an interview broadcast live from here with the American CBS television network, *said that should* he go to a Geneva peace conference without the other Arab states he would follow up that conference with an Arab summit meeting in Cairo. He continued to rule out a bilateral agreement between Egypt and Israel.

Despite rejections from Syria *and the Palestine Liberation* Organisation which turned down in advance the proposal made by President Sadat in his address yesterday to the People's Assembly, the Egyptian leader has stated that he will go ahead with the talks even if only Israel attends.

The purpose of the Cairo meeting would be twofold, firstly to consolidate the face-to-face confrontations between the warring parties; and secondly to *begin the process of identifying* and examining the substantive issues that separated them before a reconvening of the Geneva peace conference.

Officials here felt that the invitation to the Palestinians, while not addressed specifically to the PLO—with whom the *Israelis refuse to negotiate*—would not cause offence to that group.

There is confidence here that the U.S. will follow Israel's example and attend the meeting. This, officials point out, is a step *forward from* the bi-lateral talks last week between President Sadat and Mr. Menahem Begin, Israel's Prime Minister.

Last night the White House in Washington issued a short statement which said only that "we believe that a preparatory conference involving the co-chairmen and other parties to the Geneva conference could be helpful and we are consulting with other parties."

A working group has been established in Cairo to organise and co-ordinate the meeting for which invitations were issued to-day and is likely to gain increasing importance as an adjunct to President Sadat's initiatives. It is already understood to have started preparing plans for a further meeting and to have drawn up alternatives depending on the number of *participants in the first round in* Cairo.

L. Daniel writes from Jerusalem: Within hours of President Sadat's announcement in Cairo that he intended to invite all parties to the Middle East conflict to talks, Mr. Begin summoned his top Ministers, who immediately approved Israeli participation.

At the same time, the Israeli Government remains opposed to President Sadat's demand for a complete Israeli withdrawal from the Arab territories occupied in the 1967 war, and to the establishment of a separate Palestinian State. This will remain Israel's position, although she will enter any negotiations without preconditions.

About Palestinian representation at the Cairo conference, Mr. Moshe Dayan, Foreign Minister, said this morning that Israel would not attend the Cairo conference if PLO representatives were invited.

Richard Johns writes from Damascus: Syria and the Palestine Liberation Organisation have rejected President Sadat's invitation to take part in pre*paratory talks in Cairo. Jordan* almost certainly will not respond positively.

Syria, instead, announced today that it would attend the summit of Arab countries rejecting Mr. Sadat's initiative.

An *official* spokesman here said that the meeting, set to begin on Thursday in Tripoli would take the necessary measures "to foil the conspiracy plan Mr. Sadat is trying to proceed with after his visit to Israel."

To-morrow, Mr. Abdel Halim Khaddam, Syria's Foreign Minister, flies to Russia to discuss what are described here as "*the negative results of* Mr. Sadat's visit and the freezing of the international peace effort."

To-day President Hafez Assad held talks with Mr Nayef Hawatmeh, leader of the Popular Democratic Front for the Liberation of Palestine, the Moscow-orientated group which has taken a leading part with Libya in rallying Arab opposition to Egypt.

Predictably, the PLO has rejected out of hand the invitation *to Cairo* which Mr. Mahmoud Labbadi, the Beirut spokesman, termed as an attempt to get international and Palestinian blessing for a bilateral Egyptian-Israeli deal.

Sitting uneasily on the fence between Egypt and Syria, Jordan has to make its position categorically clear.

But the Amman Press, which reflects the Jordanian Government's views, to-day left little doubt as to what it is.

Al Destour said that Mr. Sadat's invitation to the proposed Cairo meeting had been, in effect, "addressed to Israel alone." The newspaper added: "The chances for the reconvening of the Geneva peace conference in the near future have evaporated because of the conflict among the Arabs."

Al Akhbar said that Mr. Sadat's act deepened the divisions in Arab ranks caused by his visit to Israel. Certainly, *although neither newspaper said* so, it also puts King Hussein in a difficult predicament, given his desire to see the Geneva conference convened but his being also to co-operate with President Assad.

Despite its ambivalence about participation by the PLO and its claims to establish an independent State on the West Bank, Jordan would not attend Middle East peace negotiations in the absence of Syria, according to well-informed diplomatic sources in Amman.

Syria told it faces danger

BY MICHAEL TINGAY ISMAILIA, Nov. 27.

PRESIDENT SADAT of Egypt to-day predicted that there would be bloodshed in Lebanon and Syria and said he believed that President Hafez Assad, of Syria, was in a precarious position. He also said that Israel *could have what it wanted in* guarantees for its security, as well as limited rectifications of its 1967 borders.

Mr. Sadat was speaking here in an exclusive interview with the Financial Times, the first with a newspaper or magazine since returning from his *historic visit to Israel*.

In his interview, President Sadat displayed a mood of fierce and confident nationalism in the face of stern criticism from other Arab States.

Delicate

He said: "For sure there will be bloodshed in Lebanon and Syria. President Assad is in a difficult position, and the Syrians are in a very delicate situation.

"The Egyptians will shed no more blood. We will go ahead for peace. I speak and act for *my people*. My army is behind me. I don't force my Arab colleagues into a corner. It is for them to decide what they do. I don't impose my opinions on them. They don't on me."

Reacting to the assertion of a senior PLO adviser, that President Assad would have to go to Geneva if he is to survive, he said: "It is difficult for President Assad and it is very delicate for the Syrians. If they concede now, and come (to Cairo) on Saturday, it is a setback for them. If they stay out now, while we go ahead, they lose face before the whole world by staying away."

He said Syria faced the danger of coups d'etat from two opposing directions. These were pro-Iraqi Baathists pulling towards a rejection front, and forces favouring a more *moderate position similar to* that of Lebanon and Jordan which would want to follow Egypt's movement towards peace with Israel.

He said: "Let us hope the latter forces make their feelings felt. It is for the Syrians to decide, for President Assad and his party. Mr. Assad himself told me that his party was only 2 per cent. of the Syrian people. Let's hope the Baathist Party tries for once to adjust itself to the new reality."

Addressing the question of the PLO, he said: "I don't know which Palestinians will come. It's up to them to decide. The PLO should reach the point of being able to act independently of President Assad and Syria. *They must reach* this point."

The President would not say

Continued on Back Page

Swan Hunter in bid to save ship order

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

SWAN HUNTER, the Tyneside shipbuilder, has been granted *another day's breathing space* to see whether a last-ditch effort by national union officials can persuade outfitters to call off an overtime ban and so allow the yard to book a £50m. order from Poland.

Officials from the Electrical and Plumbing Trades Union and the Amalgamated Union of Engineering Workers will ask *the men to shelve*, at least for the time being, a long-standing grievance over pay differentials in the interests of saving about 800 jobs.

The drama appeared to have ended on Friday night when a midnight deadline from British Shipbuilders passed without the *outfitters' representatives* agreeing to sign the assurance of good working practices required for the yard to be given its share of the £115m. order.

British Shipbuilders said that work would proceed immediately on reallocating the seven 16,500-tonne ships to other yards, but this would take two or three days to complete.

This is the period which union officials are seeking to exploit on the understanding that if they can win a change of heart from the 1,700 outfitters, Swan Hunter will get the order after all.

Mr. Gavin Laird, the engineering union executive member responsible for shipbuilding and one of those who will be at the yard to-day, said last night: "I would not be travelling to Newcastle if I did not have the understanding from British Shipbuilders that the order can still *be won for Swan Hunter if* the declaration is signed. We have one day only to persuade them."

The outfitters' overtime ban goes back to a 1975 unresolved issue of pay parity and the men now are demanding increases of about £7 a week to bring them into line with boilermakers in the yard.

Swan Hunter has said that if the order is lost more than 700 men immediately will receive redundancy notices. This combined with the fact that British Shipbuilders would be unlikely to steer other orders to the company within the foreseeable future, could well lead to closure of one of the group's yards.

Any temptation which Swan Hunter management may have felt in the direction of concessions on the outfitters' pay demand in return for the promise of industrial peace will not have been helped by a resolution yesterday of a shop stewards' steering committee of the General and Municipal Workers at the yard. This expressed support for the assurance to British Shipbuilders, but added that any pay improvements resulting from the current situation would also be pursued by union members.

Oil revenue proposals delayed

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT'S Green Paper on the use of North Sea oil revenues during the next 10 years is unlikely to be published before January or February.

Even then it will probably leave most of the Government's options open, apart from tending to oppose the creation of a special oil fund to allocate the cash.

That emerged since the subject was *debated by Ministers* and union leaders at the TUC-Labour Party Liaison Committee meeting last Monday when various opinions, and deep-seated views, became clear.

As a result of that debate, the *subject will not be formally on* the agenda for the next National Economic Development Council's monthly meeting in 10 days, although a broad discussion on the future of the industrial strategy might lead to some reference to *the benefits from the north sea*. This would give the CBI a chance to air its views.

The delay in publishing the Green Paper, which should have already been issued according to a programme drawn-up for the Prime Minister during the summer, means that there is no need for the differences within the *Cabinet to be resolved for some* time.

Firm Government decisions which would be included in a later White Paper can also be consequently delayed, maybe until they would be politically useful in the immediate run up to a general election campaign.

The differences polarise around the views of Mr. Denis Healey, *Chancellor*, and Mr. Anthony Wedgwood Benn, Energy Secretary.

It became clear however, at last Monday's meeting that the split is not on straight Left-wing and Right-wing political lines.

Mr. Healey and senior Treasury officials are keen to use the money to cut taxes, to repay foreign debt, and to boost investment abroad.

But Mr. Benn would prefer measures more directly linked to helping industry through State intervention and boosting employment. This primary method would be to give extra cash to the National Enterprise *Board to invest in key industries*.

Mr. Benn also opposes the money being pumped into companies through an extension of the Department of Industry's selective assistance schemes because this does not give the degree of public control over the *recipient companies that is possible* if the funds flow through the NEB.

One policy option which has fallen from favour recently is an idea that the revenues—amounting to over £3bn. by the mid-1980s—should be deposited in a special oil fund rather than *being absorbed into the Government's* general public funds.

The argument in favour of an oil fund is that use of the revenues would be "visible and accountable."

Britain's energy gap. Page 14

Rail job cuts short of target

BY IAN HARGREAVES

BRITISH RAIL'S target to reduce its manpower by 20 per cent. over a period of five years has gone seriously awry this year and less than half the planned cuts are likely to be achieved.

According to rail Board figures, *fewer than 4,000 jobs will have* been eliminated by the end of the year against a target of 8,000. This figure was itself to have been a contribution to the planned 40,000 cut between 1976 and 1981.

These figures have been a source of anxious comment by *the Department of Transport in* recent weeks. British Rail appears to take the line that a combination of frozen investment levels, pay policy constraints and the general level of unemployment is making further *reductions impossible*.

Even so, the figures have *caused some heart-searching in* the Railways Board about future de-manning plans, which were set out in detail in Opportunity for Change, the Board's response last year to a Government consultation paper on *transport* policy.

In his annual report this year, Mr. Peter Parker, chairman of British Rail, described railway productivity as "the rock upon which we must build the future of the railways." *In 1976, staff* numbers fell by 8,151.

One of the main factors behind slower de-manning was a period of some months earlier this year when the National Union of Railwaymen in effect ended co-operation with the de-manning programme. The *union claimed that* the changes were being accompanied by excessive rest-day working and overtime.

This state of affairs, during which local *NUR officials* scrutinised every manning change, was relaxed only when British Rail agreed there would be no compulsory redundancies up to June. This period has since been extended to the end of this year.

In itself a no-sackings agreement is not disastrous for the *Board's manpower policy, since* most of last year's reduction was achieved through natural wastage. But there is concern that now the easy fat has been shed, the dynamics are lacking to complete the job.

One mitigating factor in the failure to meet manpower tar*gets for the railways is the fact* that the network has been somewhat busier this year, with Inter-City traffic especially buoyant. Traffic volume—local rail services and the freight business—has, however, been static.

The question of financial compensation for increases in *productivity will certainly* feature in talks on the rail unions' pay claim next month, although no-one is very optimistic about achieving a real breakthrough.

Banks look at interest rates

BY MICHAEL BLANDEN

THE COST of bank overdrafts is expected to rise this week, after the sharp jump in the Bank of England's Minimum Lending *Rate on Friday from 5 to 7 per* cent.

The big banks will consider to-day their reaction when the money markets have settled down at the new level. The banks are likely to raise base *rate for lending by at least 1 per* cent. from the present 6 per cent., but they will probably not follow the full 2 per cent. rise in MLR.

An increase in base rate to 7 per cent. would raise the cost of overdrafts to top-quality corporate customers to 8 per cent., with other borrowers paying up to 11½-12 per cent.

It is less certain how the banks will adjust deposit rates. At *present, the rate paid on seven*-day branch deposits is 3 per cent., and the banks have lost a significant amount of funds to competing outlets such as the *building societies*, which are paying much higher rates.

The banks could improve their competitive position by raising deposit rate in line with any increase in lending rates or widen the margin between lending and deposit rates to increase profitability.

The continued impact of the inflow of funds before the pound was allowed to float upwards will be reflected again in official *reserve figures due* at the end of the week.

The reserves have risen to $20.2bn., compared with $4.1bn. at the beginning of the year.

November figures are expected to show a further rise, possibly *of a few hundred million dollars*, although the underlying inflow was much smaller than in recent months.

However, the figures will include the inflows in the last couple of days in October, which were not included in the total for that month, as well as any delayed receipts as a result of forward operations.

LOMBARD

Judging market power

BY COLIN JONES

IT HAS BEEN a long common complaint that competition policy makes insufficient allowance for the growing concentration in British industry. Too many mergers, it is said, are being let through and not enough consideration is given to the idea of splitting up large firms with dominant market power. Indeed, it is no secret that this is one reason why the Government decided to set up the review of competition policy which it is announcing to-day. One hopes, however, that those undertaking the review will go very carefully into the conventional wisdom for, while there are clearly some highly concentrated industrial sectors, the evidence suggesting that concentration has been growing in industry generally is not at all clear cut.

The fashionable view is mostly based on studies showing either the share of manufacturing net output (or sales, or employment) held by the 100 largest companies or, alternatively, the share of each sector's net output held by the largest three, four, or five firms. A four-firm concentration ratio of 70 per cent., for example, means that the four largest firms account for 70 per cent. of net output. Precise comparisons over time are not easy because of the inconsistency of the data but generally the conclusion drawn from these studies is that concentration has been growing throughout most of the post-war period.

Fallacies

The big mistake these calculations make is to ignore totally the role played by imports in widening the range of consumer choice and reducing the effective market power of U.K. producers. Yet import penetration has been increasing during precisely the period when output in this country is said to have become more concentrated. Take the car industry. Because of mergers and closures, the four largest firms now account for almost all the output yet consumer choice cannot be said to have diminished when imports are taking half of the market. Nor is this an untypical example. An official study in *Economic Trends* in August showed that import penetration in the manufacturing sector as a whole had risen to 23 per cent. by 1976.

Since larger firms tend to be even bigger exporters, one should also not overlook the significance for output comparisons of the growing share of output which is for export. Again the point can be made by a simple example. As we can see in the table, four firms may *control 70 per cent. of a major* exporting industry's output but they could be responsible for only half of the industry's home market deliveries and, including imports, only a third of home demand. Again this example is not all that hypothetical. In engineering, the textile, office, and construction machinery sectors are all said to be highly concentrated, but each exports 80 per cent. or more of total output and imports supply half or more of home demand.

The fallacy of measuring output shares but not market shares has been avoided by the European Commission by using both definitions in its recent studies of concentration by industry and

	Total £	4 firms £
Output	100	70
Exports	50	45
Home Sales	50	25
Imports	25	—
Home supply	75	25

by product markets in Community countries. These show a relatively high degree of product market concentration in the U.K. and elsewhere but this is not surprising in view of the growing industrial specialisation that free trade has encouraged. However, these studies also suggest that concentration is not *increasing; indeed, concentration* ratios fell in the early 1970s in 35 of the 63 U.K. product markets studied so far.

Moreover, the Commission recognises that what really counts is whether there is effective (or workable) competition in a market. A 70 per cent. concentration ratio, for example, may mean four firms each with a 17-18 per cent. market share competing hotly with each other or one firm with a dominant 67 per cent. share. So it measures disparity of shares as well as the total, and also checks on how often the ranking or even the identity of the four largest firms changes. In both respects, the picture is not discouraging. The U.K. pharmaceutical industry is generally regarded as highly concentrated, for example, but in only 12 of the 30 pharmaceutical product markets analysed was the first ranking firm in 1964 still the market leader in 1973.

Concentration may be high in some sectors. It may even be growing in some cases. What is vital is that any new thrust to competition policy is based on a careful analysis of real situations, not on myths.

THE WEEK IN THE COURTS — BY JUSTINIAN

Entertainment steals legal spotlight

ENTERTAINERS of one sort or another have dominated the legal stage in recent weeks. Mr. Kerry Packer and his band of merry cricketers have successfully fought the international cricketing authorities to the accompaniment of massive Press coverage, culminating in Mr. Justice Slade's marathon judgment last Friday.

Mr. David Frost has been wrestling, so far successfully, with the Inland Revenue. But Mr. Frost, prima donna of television interviewers, has been less happily treated by the Press.

The coverage of one of the most fascinating legal contests of the year, listed as *Newstead (Inspector of Taxes) v. Frost*, was scantily treated in the daily newspapers when the case began a week ago before Mr. Justice Browne-Wilkinson.

Mr. Frost's appeals against three years' (1969-72) *estimated* assessments of earnings, amounting to £170,000 in the aggregate, had been substantially upheld in June last year by the General *Commissioners. It was Mr.* Newstead, the Inspector of Taxes, who appealed to the Chancery judge against that decision. Mr. Justice Browne-Wilkinson will give judgement to-day on the issues joined. What are the issues in this fiscal test match?

The options

Mr. Frost, ringmaster of the successful TV satirical programme, That Was The Week That Was, had by the mid-1960s achieved such an international reputation that he could command rich pickings at home and abroad—particularly the U.S. He had two options: either he could remain ordinarily resident in the U.K. or he could "go non-resident." With the former, he would in general remain liable to tax on his foreign professional earnings as fully as his U.K. professional earnings.

To avoid the high taxation in the U.K. he could live abroad—as so many prosperous boxers, golfers and artists have done over the years—which entails virtual abandonment of even a *pied-à-terre* in the U.K.

Mr. Frost remained loyal to his country of birth and rearing, and chose the former option, which is to be commended.

Having chosen the potentially awkward path of righteousness, Mr. Frost sought expert advice on how he could, in the time-honoured phrase, prevent the Inland Revenue putting "the largest possible shovel" into his stores.

The expert advice was: "You need pay U.K. tax on no more than you actually remit to the U.K. out of your U.S. earnings, so long as you religiously follow our advice."

Mr. Frost put his tax affairs in the hands of the advisers who devised a scheme whereby his American earnings were out of the reach of the Revenue's largest shovel. The scheme was simple.

The intention

Funded by a friend's payment to Trust Corporation of Bahamas (TCB) of £350, a $5 investment company in the Bahamas (where there is no income tax) was taken off the corporate shelf, dusted down, renamed Leander Productions Ltd. (LP) and taken into partnership by Mr. Frost.

At least that was the intention. Then all that Mr. Frost did in the U.S., whether as the star of the David Frost Show (which ran strongly five nights a week from July, 1969 to June, 1972) or when lecturing, speaking or appearing in other American TV shows, he did ostensibly not on his own behalf but "on behalf of himself and LP in partnership."

Substantial fees were earned from Mr. Frost's varied activities. Under a *soi-disant* "indenture of partnership" 95 per cent. of the income went to Mr. Frost and only 5 per cent to LP which contributed by its directors (who were, not surprisingly, officers of TCB, "nominated to serve as part of their duties and to give them training and experience") administrative and secretarial experience and financial and fiscal advice.

A local charity was made beneficial owner of LP's five shares. That charity obtained in effect, less what was paid to TCB for runing LP, 5 per cent. commision on what was earned. The cost of the scheme worked out cheaper than U.K. income-tax and surtax would have been.

Given these facts, what were the rival contentions before the judge? Mr. Frost's cases rested on two alternative bases.

The first was that his 95 per cent. share was income from a foreign profession, hence only taxable under Case V of Schedule D; and hence by virtue of sections 122(2)(b) and 123(b) of the 1970 Taxes Act he was only taxable on so much as he received in the U.K.—which was none.

The second basis was that there was a trade or business carried on by two persons in partnership and its control or management was situated abroad, with the result that the partnership was "deemed to be carried on by persons resident outside the U.K." and hence not assessable.

The Inland Revenue attacked *the notion that there was ever a* partnership. It said that "the business" that was in fact carried on by the human partner did not accord too easily with LP's memorandum of association, and it pointed to other technical reasons why there could not be a relation of partners in law.

But the Revenue's most interesting and daring attack on Mr. Frost's scheme was that, assuming there was a partnership, what the partners were doing was not, in truth, "carrying on a *trade, profession or vocation* in common."

They were operating, to adapt words used in the courts in another fiscal context, what was "an artificial device, remote from trade, to secure tax advantages."

Mr. Justice Browne-Wilkinson was quick to seize the point. Genuine legal transactions give rise to genuine legal results. Sham transactions do not produce legal results. But now the court was being asked to say *that there is a grey area called* "devices" which may fall outside the law's cognisance.

To support its contention, the Revenue relied on the renowned forward-dividend-stripping decisions of the 1960s in the Lords. In *Finsbury Securities Ltd. v. Bishop** and *F.A. and A.B. Ltd. v. Lupton*† it was held that the ostensible buyings-and-sellings of shares in the companies to be stripped by the strippers were not within the trade of share-dealing, but were "an artificial device, remote from trade."

The choice

Mr. Frost countered by denying the validity of the parallel. He had done nothing different than carry on business, using the vehicle of a partnership; and his motive for the partnership was irrelevant.

If the Revenue attack was sustained by the courts, to trade through the medium of a properly-incorporated company might be equally vulnerable.

Mr. Justice Browne-Wilkinson has a stark choice. Will he uphold the tax inspector's attack on the scheme as an artificial device which resulted in no trading by the partnership?

Or will he leave it to a higher court to decide whether to extend the "doctrine of device" from dividend-stripping to what Mr. Frost did from 1969-72?

A footnote: for anyone thinking of copying Mr. Frost's scheme, should it succeed, exactly three-quarters of the joy has been taken out of it by Section 23 of the Finance Act, 1974, but that was another week that was!

* 43 Tax Cases 591.
† 47 Tax Cases 597.

Packer plays it cooler than his 55 cricketers

CRICKET — BY HENRY CALTHORPE

MELBOURNE, Nov. 27.

THE EFFECT of Mr. Justice Slade's decision in the High Court seems to have produced a more jubilant immediate effect in his 55 cricketers than it has in Mr. Kerry Packer. It was a considerable victory for his whole idea of world series cricket and the players are greatly relieved and thankful for their newly won respectability.

This is not to say that they are expecting that they will at once be welcomed back in county, state and Test cricket—but they have acquired a definite status.

Mr. Packer waited up all night for the verdict which may in part account for his obvious irritation when dealing with the media at the VFL Park the next day. He gave the impression of a man with a struggle ahead of him, rather than one with a famous victory to celebrate.

In part, it may have been his way of trying to play it down. He was insistent that it was a victory not for himself but for his players and he reiterated his desire to compromise for the good of the game. "There's nothing the cricket authorities can give me now. I have the players, the grounds and the pitches. What can they give me?"

He admitted to being delighted and said that his lawyers had been consistently confident from the start. He was glad that the basic human rights issue, which allows a player to choose for whom he wants to work, had been decided.

He was not willing to look into the future. When asked if it was a situation in a year's time when his own players would be available to play in the Ashes series in Australia, he would not comment.

He was sure that his world series cricket would provide a highly attractive alternative to the Ashes series next year. He thought that the Australian public preferred to watch Australia play the West Indies rather than England, and compared the present West Indies side—the one he has [illegible] Australia—with Worrell's side of 1960-61 in the series which produced the tied Test.

He did not intend to go to South Africa until the political situation had cleared up. As players have not been banned by the English courts, he will be taking his circus to England either. Obviously he had nothing but praise for the English legal system.

In spite of the fact that news had been coming out over the radio from early in the morning and it was a glorious day, the WSC match attracted only 3,500 spectators on Saturday, less than 3,000 watched [illegible] entire match which was [illegible] off at lunch-time on [illegible]. Mr. Packer said he was not worried—it was only a practice match.

Royle cure for Bristol blues

SOCCER — BY TREVOR BAILEY

THE MANNER in which Bristol City beat Middlesbrough 4-0 at Ashton Gate on Saturday—even if the score flattered them—suggested they may have found a cure for those relegation blues which nearly caused them to drop back to the Second Division last season after only one season.

On their showing all they need is to persuade Joe Royle, who scored all four goals on his first appearance for the club, to stay permanently in the West.

He is on a month's loan from Manchester City, where he has been unable to secure a regular first-team place this season. This tall, well-built centre forward is a credit to the game. Apart from his considerable ability as a player, he is intelligent, reliable, sensible, and articulate—in fact just the type any manager would welcome, a true professional.

The problem facing Joe has nothing to do with money, because the terms offered are generous. But he does have strong family ties and a new home in Ormskirk, many friends, and he is not yet certain he could settle in Bristol. He realises that if he is unhappy, he could do neither himself nor his club justice, and has therefore wisely decided to take time making up his mind.

All Bristol City supporters will be hoping he says yes, because he provided the finishing power they have been lacking. It was not just that he put the ball into the net four times, but the majestic manner he took the chances that most impressed.

His first goal, after 11 minutes, was a perfectly placed header at the far post from a right-wing centre which had been struck early. The second he lashed home with speed and power from close in following a corner.

After the interval, he ran on for the third, because Boro [illegible] the mistake of playing to the linesman's flag raised [illegible] injured [illegible] ground, admittedly [illegible] position, instead of playing to the whistle. His final goal [illegible] put past the [illegible] with precision after the [illegible] working Ritchie had provided an ideal pass.

Royle caused problems for opposing defence throughout, even though he was not completely match-fit, and tired towards the close. He was responsible for two chances [illegible] new team-mates squandered. I hope, for City's sake, because they look [illegible] for each other. I think would enjoy his life as well as his football in Bristol.

Late revenge at Sandy Lane

NINE clubs from minor leagues won their way through on Saturday to the second round of the F.A. Cup, and seven earned replays this week—about par for the course in the round of 40 matches.

Four minnows succeeded in beating Football League clubs—Enfield, Nuneaton Borough, *Scarborough* and *Wigan Athletic*. Enfield achieved a 3—0 victory over Wimbledon, whose own feats in the F.A. Cup contributed to their election to the Football League only this summer.

History was not repeated at Sandy Lane, where Tooting and Mitcham, the Isthmian League club, were beaten 2—1 by Northampton Town—the score by which they beat them there in 1958 in the second round, after they had knocked out Bournemouth in the first.

The 1958 match against Northampton attracted 10,000, and helped provide the finance to give Tooting a stand and facilities as good as many senior League clubs. Alas, on Saturday, the crowd was only 4,518.

Tooting deserved more. They also deserved at least a draw. They showed sufficient skill, speed, and stamina to give further force to the argument that a staff of full-time players for Third and Fourth Division clubs of modest support is a luxury.

The hero for Tooting was their rumbustious No. 4, Billy Smith, who, improbably for a footballer, works as a flower salesman in Covent Garden market. He was a veritable Mr. Domuch—sweeper, crunching tackler, launcher of attacks, and scorer of Tooting's equaliser after 52 minutes.

Tooting had lost their centre-forward Grubb after [illegible] minutes—10 minutes after should have given them the [illegible]. Northampton's two bright players featured in their [illegible] minute goal. Christie, a [illegible] speedy winger with good [illegible] control, broke out from his [illegible] exchanged short passes [illegible] Reilly [illegible]. Reilly's dexterity with the [illegible] and neatness of idea [illegible].

The decisive goal was [illegible] Tooting. Goalkeeper [illegible] brilliantly pushed over [illegible] piledriver. From [illegible] corner, Martin outside the [illegible] scored with a low shot [illegible] Friddy could not have [illegible] good sight.

JAMES FRE[illegible]

North Midlands pack decisive

RUGBY — BY PETER ROBBINS

NORTH MIDLANDS snatched two late tries to beat Yorkshire 14-10 in their County Championship semi-final match. Yorkshire had established what seemed a reasonably safe margin when Bennett scored 15 minutes from time to put them 10-4 ahead.

Swain scored both the late tries—he also scored once in the first half.

His second try came after Cusworth ran from behind his posts with Meanwell. Neither had had a particularly happy afternoon but this time they combined perfectly and sent Thomas away. Cusworth and Warren were quick in support before Swain was given the ball. The bravado, speed, and execution left Yorkshire numb. They were still in shock as Swain scored his final try.

It was a marvellous game, played in the best spirit, at a cracking pace. It was full of movement, adventure and skill. Of course there were mistakes, but these were forgotten and forgiven in the entertainment and suspense.

North Midlands won the toss and, as Moseley invariably do, chose to play uphill to their later advantage.

The first phase of the game was an all-out assault by the Yorkshire backs. Their play was cunningly directed by Old. The first 15 minutes yielded a penalty from Old and a dropped goal from McGeechan. Swain scored his first try and the game turned almost imperceptibly towards the North Midlands, thanks to their disciplined forward play.

It was here that the game was won. Yorkshire badly missed their hooker Hryschko, who is under suspension. Not only his hooking was missed (Cox cleaned up Billington in vital scrums) but his throwing in. Yorkshire had banked on varied use of the two-man line-out, but were deprived of two reliable and fundamental sources of possession.

Ayre was in great form at the orthodox line-out, abetted by Nutt and White in his role as sweeper. In the set scrums, Corless and Greaves, well locked by Ayre and Bakewell, were too strong for the Yorkshire front row.

In their early dominant period Yorkshire set up some good possession from the loose, but against the slope and increasing North Midlands pressure their tough forwards were noticeably slower to the ball.

Devonport the flank had an outstanding first half, but blew up, leaving Dowson and Higgins an immense task. Higgins continued to look an exciting prospect as a flanker.

Faced with a debilitated forward effort Yorkshire had no option but to run the ball. Oram was consistent in his service to Old. McGeechan and Squires provided some classy touches, but Squires twice kicked [illegible] in attack.

Yorkshire were held in their counter-attacking stance by some dreadful kicking from Cusworth and Meanwell—Caplan in particular turned good use. To their credit, Yorkshire still ran the ball when the [illegible] in an effort to keep [illegible] North Midlands forwards stretched.

It was ironic that the North Midland backs had the final [illegible] chances despite a fine [illegible] from Bullock. He did have [illegible] last laugh, with his [illegible] break from behind his own [illegible].

Ayre's omission from [illegible] gional trials is an unfathomable mystery, but, though he took [illegible] eye, the key to the North Midlands success was the [illegible] work of their pack.

● Further south, Gloucester strode powerfully to the [illegible] final in nine seasons [illegible] exciting, hard-fought [illegible] underdogs Kent at Blackheath, writes Stuart Alexander.

The 10 point to 9 margin [illegible] harsh on the [illegible] and enthusiasm of Kent [illegible] forwards held their own [illegible] front, the half-backs hunted [illegible] harried, and the three-quarters tested the Gloucester defence [illegible] the end.

But the superior power of Gloucester pack in the loose, hard tackling of the centres [illegible] brilliance of Morley and [illegible] reliability of Butler as [illegible] full-back, won the day.

● AN INVITATION team [illegible] Moseley 43-19 in a special [illegible] in commemoration of [illegible] ley full-back Sam Doble [illegible] died earlier this year [illegible] was a most fitting tribute [illegible] much-loved and [illegible] character.

Fort Devon fails at the last

RACING — BY DOMINIC WIGAN

FORT DEVON would have justified his supporters' confidence in Saturday's Hennessy Gold Cup, but for a poor jump at the last fence.

The fine, ex-American chaser, who had been backed down to his SP of 7-2 from an opening ante-post 12 to one, was travelling smoothly, and, as he led the field into the final fence, the race looked to be his.

However, he got too close to it, lost momentum, and was caught and passed by the Blackeson winner, Bachelors Hall.

In spite of rallying well under pressure in the last 100 yards, Fort Devon never looked like retrieving the lost ground, and was a neck adrift of his young rival at the finish.

But almost succeeding in giving a stone to Bachelor's Hall was a praiseworthy effort.

[illegible] in a similar event at Worcester five weeks ago, and could [illegible] for the possibly unenthusiastic Oranmore.

I shall be surprised if [illegible] Clifford's Deer Run [illegible] Sweeping Along [illegible] division of the Royal [illegible] Hurdle.

Turning to to-day's racing, the fear of heavy overnight frost means an 8 a.m. inspection at Wolverhampton.

At Windsor, the most interesting race seems to be the White Hart Hurdle in which the three at the top of the handicap are Oyster Catcher, Granmore, and Major Role. Oyster Catcher [illegible] up a more than useful performance [illegible] the heavily backed Merriham [illegible].

WINDSOR
1.30—[illegible]
2.00—[illegible]
2.30—Oyster Catcher
3.00—[illegible]
3.30—Sweeping Along

WOLVERHAMPTON
2.15—[illegible]
2.45—[illegible]
3.15—[illegible]
3.45—[illegible]

TV Radio

† Indicates programme in black and white.

BBC 1

9.38 a.m. For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Chigley. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 a.m.). 4.20 The Wombles. 4.25 Jackanory. 4.40 Graham's Gang. 5.05 John Craven's Newsround. 5.10 Blue Peter. 5.40 News. 5.55 Nationwide (London and South-East only). 6.20 Nationwide. 6.50 Are You Being Served? 7.20 The Rockford Files. 8.10 Panorama asks Where Have All The Jobs Gone? 9.00 News. 9.25 The Monday Film: "The Magnificent Seven Ride!" starring Lee Van Cleef. 11.00 Tonight. 11.40-11.42 Weather / Regional News.

All Regions as BBC-1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.40 Weather for Wales; Close.

Scotland—10.00-10.20 a.m. For Schools. 5.55-6.20 p.m. Reporting Scotland. 11.00-11.32 Public Account. 11.35 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.00 a.m. The Role of the Nurse. 11.00 Play School. 2.30 p.m. Carry on Learning. 3.00 The Caterers. 3.30 Signs of Trouble. 4.00 Making Toys. 7.00 News on 2 Headlines. 7.05 Volunteers. 7.30 Newsday. 8.10 The Magic Show. 9.00 Drama 2. 9.50 The Long Search. 10.40 Late News on 2. 10.55 Open Door. 11.25 The Light of Experience. 11.50-11.55 Closedown: Gabriel Woolf reads "The Wood-Pile" by Robert Frost.

LONDON

9.30 a.m. Schools Programmes. 12.00 Chorlton and the Wheelies. 12.10 p.m. Rainbow. 12.30 Flintstones. 1.00 News, plus FT index. 1.20 Help! 1.30 Farmhouse Kitchen. 2.00 After Noon. 2.25 Monday Matinee: "The Glass Bottom Boat," starring Doris Day and Rod Taylor. 4.20 Clapperboard. 4.45 The Feathered Serpent. 5.15 Batman. 5.45 News. 6.00 Thames at 6. 6.45 Opportunity Knocks! 7.30 Coronation Street. 8.00 George and Mildred. 8.30 World in Action. 9.00 The Sweeney. 10.00 News. 10.30 The Big Film: "Where's Jack?" starring Tommy Steele and Stanley Baker. 12.40 a.m. Close: Bobby Cumming reads poems by Lucie Shaw.

ANGLIA

[illegible] About Anglia. 10.30 The Brian Connell Interviews. 11.00 Mystery Movie: McCloud. 12.45 a.m. Reflection.

ATV

12.30 p.m. Today's People. 1.20 ATV Newsdesk. 2.25 Monday Matinee: [illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

12.30 p.m. All About Babies. 1.25 News and Road Report. 2.25 Feature Film: "The Old Dark House," [illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1

[illegible]

RADIO 2

[illegible]

RADIO 4

[illegible]

RADIO 3

[illegible]

BBC Radio London

[illegible]

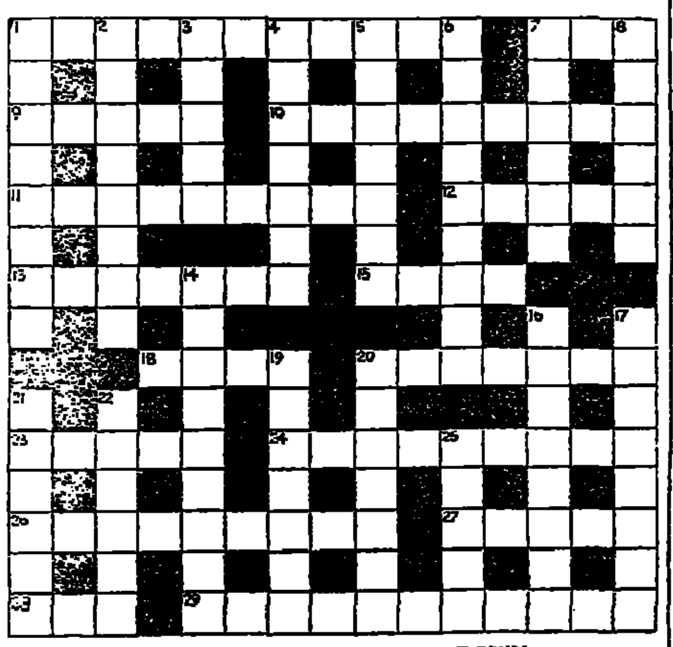
London Broadcasting

[illegible]

Capital Radio

[illegible]

F.T. CROSSWORD PUZZLE No. 3,530



ACROSS

1 Opposed to workman becoming shop assistant (7, 4)
8 Pull out of England into Wales (5)
9 Passed on vote for rubber product (5)
10 Cast spread out to allow free access (5, 4)
11 Office notes Roman made to stagger (9)
12 Sudden blow has nothing to generate enthusiasm (5)
13 Giant returns first-class with dreamy fairy (7)
15 Wood has meal with king (4)
18 Thrash second-grade meat (4)
20 Workman who gives one the brushoff? (7)
23 Ways of getting to Greek location soundly (5)
24 Forward with study habit (9)
26 Instrument giving assuring bulletin on infant (4, 5)
27 Missile launcher supporting injured member (5)
28 Pound earned by writer (3)
29 Small army of children possibly in lead (3, 8)

DOWN

1 State of America gets over friendship disaster (8)
2 Last month a thousand dined during final (5)
3 One demanding exertion from Inspector (8)
4 ... round a building (7)
5 Side by side at a stroke in the bath (7)
6 Decent to put in lower category (4, 5)
7 Depressing key worker (6)
8 Weed out to gain instant victory (6)
14 Lack of vision is closely related to a good deal (4, 5)
16 Desire to make a fuss of it inside copy (8)
17 Gives warning before wise men (8)
19 Two puts youth leader found in N. Africa of old (7)
20 Have dispositions made so as to be ready (5, 2)
21 Excavate with cry that meal is ready (4, 2)
22 Copy of vehicle swell upset (6)
25 Given medicine at parties by newspaperman (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا من الأصل

Albert Hall

Birgit Nilsson

by MAX LOPPERT

Nilsson no longer sings ... and Brünnhilde in ... and the Wagnerabend ... Albert Hall on Friday, ... Rafael Kubelik conducting the London Symphony ... in excerpts from (under which heading Wesendonk Songs may ... silently inserted) and ... ammerung, took on a ... character. When a ... doting crowd has come ... but also to give thanks ... than two decades in ... supreme Wagnerian ... the post-war period has ... steel in sunlight, the ... generated may be effective ... is also moving. It pays ... past glories as much ... recent—although, as the ... of Brünnhilde's Immolation at the concert's end ... doubt it is not yet time ... the voice and its stately farewell.

... voice was riding out ... orchestra with much of ... incible brilliance, the ... total security of old, ... high phrases directed ... and penetrate like an ... flight; and in this, we ... minded, lay Nilsson's ... supremacy, unmatched by other heroic ... challenging or following reign. From a Varnay ... there might flow a majesty or intensity of ... from Rita Hunter ... more closely binding ... a more delicate execution ... detail might combine in smooth moulding of the lines. From Nilsson—above all in such passages as the Götterdämmerung Act 2 oath (the voice like the "shining spear-point" it addresses) or in the final surges of the Immolation—we always expected, and were almost always rewarded with, vocal incandescence, a radiant athleticism of manner, a physical glow.

In the first part of the concert, these qualities were intermittently diminished by impure edges in the tone, by moments of unclean focus, by lapses of pitch. The orchestra was in unruly form, or else Kubelik's direction of it was giving rise to persistent hesitancies and uncertainties, for the Tristan Preludes to Acts 3 and 1 (played in that order, with the Wesendonck Songs in between and the Liebestod thereafter) revealed spaciousness and warmth of intention badly flawed by unsteady ensemble and shaky rhythmic definition. The songs were cloudily interpreted—the soprano's middle and low registers have never afforded the tranquil tenderness or delicacy they require—and the Liebestod was cautious, though soon the voice began to speak out. But after the interval, despite orchestral mishaps in the Rhine Journey and Funeral Music suggesting severe under-rehearsal, the Gotterdammerung excerpts gave greater pleasure; and in the Immolation Scene (as after it in the arms uplifted to greet the applause) the great Nilsson was recognised at full stretch.

...more Hall

Schwarzkopf

by DAVID MURRAY

Saturday night Mme. ... sang her way into ... programme in the ... way, treating the first three songs as variations ... sound oo. Soon afterwards we were granted some ... and throughout the ... half the inimitably ... Schwarzkopf diction unclouded. The expiring ... earlier, in songs from ... Spanish Songbook, suited ... "mit mich mit Blumen" ... and also the masochistic anguish of "Herr, was ... der Boden hier"; "Wenn ... den Blumen gehst," a ... plant, seemed drained. ... kopf's account of "In ... Schatten meiner Locken" ... against anything, and ... as ever — lightly and wistful, not a phrase ... ayed.

... Ronald Crichton observed here after her recital ten ... ago, Schwarzkopf's tone ... vary radically within ... song, the trick is ... by the richly vivid identity of the Schwarzkopf voice. ... is stamped on every ... that emerges, from whatever unlikely region of chest or sinus: thus, for example, she could end each tenderly entreating verse of another of the Spanish songs with the tag-line "La Marion . . ." delivered as if by a wryly amused observer, and yet keep the situation within a single view. By contrast, the varied resources she drew on for "Trau' nicht der Liebe" served only to etch the shape of the whole song more boldly.

Everything after that came from Wolf's Italian Songbook, sovereign territory for Schwarzkopf. Most of these songs are character-vignettes, which she renders with such flawless attention to the musical nodes of Wolf's settings as to defeat commentary: one can't be that precise in print. This time there were fresh nuances to delight addicts, and each of the young women in question was delighted with documentary sharpness. The triumphant climax of "Ich hab' in Penna," like the lovely floated notes in "Wir haben beide . . ." was proudly secure. Geoffrey Parsons was an admirable partner, though it seems to me that his student-fiddler postlude to "Wie lang schon" is becoming broader without being proportionately funnier.

...val Hall

Paul Tortelier

by NICHOLAS KENYON

... step onto a con... platform quicker than Paul ... and the purposeful ... of his walk is equally ... in his playing. True, ... in his hands is still the ... of elegaic warmth ... reflection familiar ... the greatest players, ... dominating impression ... Tortelier's playing is quite ... one marvels at the ... expression, and the ... strength with which ... even the simplest

... night he was playing with his daughter, Maria de ... and they gave two show... the Schubert "Arpeggione" and the Paganini Variations on one string, neither of ... were originally intended ... cello. Tortelier's art was ... well demonstrated, ... in the Kodaly Sonata ... which had some of ... on their feet with ... by the end of the first half. ... It was the extra re... which Kodaly gave the ... tuning down the bottom ... (so that the whole ... produces that rich, minor-mode seventh chord which is at the root of his national folk music), but I have rarely heard such a symphonic display of varied colour from a single instrument. Tortelier pushed the yearning melodies and gritty triple-stoppings of the first movement across the vast spaces of the Festival Hall, and then relaxed in the Adagio to give a vivid impression of folk improvisation (plucking an accompaniment to his own lyrical bowed lines). Scorning the cuts which some players make in the last movement, he realised its flamboyant rhythms and swirling arpeggios perfectly-good news indeed that he has at last recorded this piece.

The accompanied pieces were, perhaps, less successful: in the evening's one true cello sonata, the Brahms E minor, Marie de la Pau was a reticent accompanist, never fully meeting the challenge of the rhapsodic piano writing. As a result, Tortelier seemed subdued here—though it must be added that they achieved a near-impeccable ensemble even when (as in the Minuet's trio) their rhythms was at its most flexible.

Theatre in Washington

Words and music

by FRANK LIPSIUS

A scene from 'Nightclub Cantata' with, left to right, Mark Zaegaski, Karen Evans, Rocky Greenberg, Jossie DeGuzman, JoAnna Peled, David Schecter and Paul Kandel

It is always a pleasure to go to Washington to catch up on the activities of the Arena Stage complex. One of the finest American repertory companies and a leader in the loose amalgam of regional theatres, it has long specialised in introducing European plays to American audiences. In previous seasons, they have done the Hungarian Catsplay as well as premier in the U.S. works by Becket and Ionesco.

Among their first plays this season is The National Health. Performed in their large concrete theatre-in-the-round, Peter Nichols's conception of a claustrophobic Vicorian hospital ward with gothic windows and green walls has been replaced with a more open, antiseptic atmosphere instilled with great activity, much of it pointless scurrying by scatterbrain nurses. Gothic windows do indeed hang suspended from the Arena Stage ceiling, but they only serve to block the view, while Nichols's perception of futile ministerings is well translated into the terms of an open-space theatre.

Attempting British accents put the cast at some disadvantage, since it forced them into swallowing good lines in the effort to sound Scots or Jamaican. It was, however, essential to maintain the British context of Nichols's play in order not to lose other satiric points, as the director David Chambers realised. An explanation of the National Health Service comes in the programme notes, with the words of the Parliamentary Act establishing the NHS adorning the programme cover. Accent apart, the cast went through its paces with charm and vigour.

The play now at the Arena's smaller Kreeger Theatre does better at showing off the company's adventuring spirit. Written by 25-year-old Elizabeth Swados, Nightclub Cantata consists of 21 pieces, most of them poems, to which Miss Swados has supplied the music. The seven performers, accompanied by pianist and drummer, take on, among others, works by Pablo Neruda, Sylvia Plath, and Nazim Hikmet, the Turkish poet. The whole of Delmore Schwartz's story, "In Dreams Begin Responsibilities," is recited in unison by the company. Some of the scenes it presents (like a dance) are performed by two people while continuing their recitation. Frank O'Hara's poem, "To the Harbormaster," is recited by one man sitting alone and another off to the side repeats it, with the effect of a nostalgic echo.

The Entertainment Guide is on Page 13

The four men in the cast comprise "The Pastrami Brothers," a gymnastic team in garish purple uniforms. They do unspectacular feats showing considerable human frailty and vanity, for which they take deep bows and get back loud laughter. "Ventriloquist and Dummy" represents the revolt of the dummy, who insults the audience and demands that the ventriloquist exchange places with him.

"Bird Chorus" and "Bird Lament" use no words at all, but do show off the beautiful voice of Jossie DeGuzman. "Dibarti," taking the words of David Avidan, presents two people across the stage from each other standing in front of a door. They shout back and forth in Hebrew and translate it as they go in an exchange worthy of Jules Feiffer. "I spoke to you of love, you spoke to me of marriage," is the kind of chanting accusation they indulge in. In a lighter vein, the whole cast dresses up as young toughs and sing of "Indecision" with the gusto of a chorus from West Side Story.

The bird exercises reflect Miss Swados's work with Peter Brook, especially her experience on their African tour. She has long been associated with La Mama company and gained particular attention last season for her work with Andrei Serban, who directed plays for both La Mama and the New York Shakespeare Festival. If those with whom she has worked inspired specific ideas, she has made them her own.

Having both created and directed Nightclub Cantata, Miss Swados exhibits a remarkable gift for bringing out the music in human speech and adding dimensions to words through musical accompaniment or choral recitation. She works as though she wants to prove that we can squeeze more meaning out of words. Unlike Peter Handke, or even the people Miss Swados has already worked with, she makes the exploration of language a fulfilling, expressive and expansive exercise. She puts resonances and meaning where they would otherwise not be, and with her sense of humour, as displayed in "Indecision" and "The Pastrami Brothers," she can make words sing and music speak.

The show did not originate in Washington. It was developed at the Boston Repertory Theatre and played off Broadway in the Village in New York. The Washington production might well have reached an older audience, since one of the attributes of the Arena Stage is its ability to combine broad-based popularity with a commitment to original and valuable theatre. Nightclub Cantata ends on a serious note with "On Living," a poem by Nazim Hikmet based on his prison experience, but the audience walked out looking surprised and exhilarated.

Wyndham's

Rita Hunter

In lieu of the promised Liederabend by the ailing Lucia Popp, Rita Hunter offered an impromptu entertainment. It consisted, as far as one could tell, of what happened to come to mind; and what came to mind was a recital in the manner of decades past. We had airs from the Italian opera (with piano of course, at which Hazel Vivienne succeeded in reminding one of the original music) interspersed with numbers by Sigmund Romberg and Ivor Novello; the programme revealed itself only little by little, as Miss Hunter declared each item from the stage, since there had been too few days' notice to print programmes. We didn't know, for example, that "Smiling Through" was to follow "Porgi amor," until it did.

In the agreeable intimacy of Wyndham's—and the stage did not seem larger for containing only Miss Hunter, two fine potted palms and the grand piano and pianist—the soprano's full powers were not required. Apart from "Porgi amor" (too 19th century in feeling), she sang in Italian only for two excerpts from Aida; they were not underdone but inevitably they sounded shrunken in this unnatural context. Both Puccini's Mimi and Butterfly came more effectively to life in English, with Miss Hunter's disarming sympathy making amends for the loss of the words which prompted the notes—the scale of their sentiments was perhaps better matched to the milieu. Also in English, "Tu che la vanita" from Don Carlos was stylish as well as moving.

Nothing in Miss Hunter's voice ever sounds flirtatious; that was the only thing one missed in her operetta songs, to which she brought the same conviction as to everything else. They made one closely aware of her special virtue, her curious combination of refined musicianship and artless sincerity. In opera, she does not really make a character, but sets out simply to be one: when it is the right character, one believes her entirely. But she needs the dramatic situation around her—she doesn't re-create it on an empty stage, nor conjure it up in the notes. She made a friendly evening, but one looks forward to hearing her back at home in the Coliseum.

DAVID MURRAY

Rainbow

Greg & Cher Allman

London was divided on Thursday night—should it put its weight behind Southside Johnny and the Asbury Jukes at Hammersmith Odeon or Greg and Cher Allman at the Rainbow? Southside Johnny is jollier and represents the fresher music, a kind of grown-up punk, but the Allmans have sentiment on their side.

I went for sentiment, along with a less than frenzied crowd that looked as if it doubted whether it had made the right choice. It was a pity the audience was so apathetic for musically Mr. and Mrs. Allman did their best. One problem of this musical marriage is that there is little immediate harmony between the driving Southern rock of the Allman Brothers Band in its heyday and the sentimental ballads of Cher when taking the stage with her earlier husband, Sonny.

The attempt to create their own music, based around their drama-ridden relationship, is quite fascinating, resulting in a manic version of Pearl Carr and Teddy Johnson, with Cher constantly pulling aside the sweeping golden hair of her husband the better to croon her affection in that deep sultry voice. Greg Allman is an altogether much more passive figure as he fingers his keyboards or picks at a guitar, although he was moved to words once when water dripped on to his head.

In time the appeal of opposits, the dominating Cher with her yards of black hair, her plunging jump suit, and her matronly control of Greg, combined with his detached and drained appearance could make a powerful act. The new music doesn't seem very real yet, and the addition of a brass section produces a rather uncomfortable progressive muzak sound, but when everyone relaxes more it could develop some integrity.

ANTONY THORNCROFT

German theatre

Ayckbourn and German boulevard

Give him a few more years, and Alan Ayckbourn may be the most popular playwright in German theatre. His The Norman Conquests (Normans Eroberungen) has been running for three seasons at the Schlosspark-Theater in Berlin. Prior to that success, Absurd Person Singular (Frohes Fest) made the rounds of many top subsidised houses, e.g. Boy Gobert's Thalia Theater in Hamburg.

Two reasons are generally given for his popularity. The first is that Feydeau's farces were the rage at the end of the last decade; the next step to Ayckbourn's farcical comedies was an easy one. The second is that a crisis hit German theatre hard after "outside" plays of dramatic merit were exhausted in the 1950s; since home talent had never been sufficiently supported, the subsidised houses looked to England for new plays and discovered Ayckbourn in the process.

Another reason is just as plausible and probably the most accurate: German boulevard theatres, that is, the private houses, thrived on playwrights like Neil Simon and Alan Ayckbourn while the big brothers looked scornfully down their noses. Now the tide has turned, and the subsidised theatres look with respect on fun plays and comic dramatists who display an uncanny ability to both entertain an audience and keep bringing them back for more. Ayckbourn and German boulevard are here to stay.

This makes it equally difficult for the private houses to stay alive. Rights are sold to the highest bidder, which means the audience is still intact but the stage is empty.

There is perhaps another reason why The Norman Conquests is so popular here. Intendant Hans Lietzau of the Schiller-Theater (of which the Schlosspark Theater is a separate but connected entity) is an incurable Anglophile. The Ayckbourn trio—Table Manners (Tischmanieren), Living Together (Trautes Heim), and Round and Round the Garden (Quer durch den Garten)—is flawlessly translated (Ursula Liederwald and Christian Ferber), and Lietzau has leaned heavily on imports Bill Dudley and Sue Plummer for the staging and the costumes.

RONALD HOLLOWAY

ADC, Cambridge

Three Beckett premieres

by B. A. YOUNG

While Oxford's Playhouse Company gives Brand at Cambridge's Arts Theatre, a kind of chamber-group detaches itself to give a Beckett programme at the ADC. The three items in it are billed as world premieres, and so they are as far as the stage is concerned, but they are not new. Theatre I and Theatre II, written about 1960, are included in a volume called Ends and Odds (they are included under "odds."); this was published by Faber last April (£2.75, 104 pages). From an Abandoned Work, written in 1958, comes in Breath and Other Shorts (also Faber, March 1972), in those days 50p for the 48-page paperback, but I suppose inflation may have caught up with it.

From an Abandoned Work wouldn't be considered a theatre work if it were by anyone else. It is a monologue, like an extract from Molloy or Texts for Nothing, for a sick old man ruminating on former times. "I have never in my life been on my way anywhere, simply on my way," gives a key to the style of thought and speech, though the speaker may have killed his mother and father and was once attacked by stoats.

Peter O'Shaughnessy, who is the evening's director as well as the Provost in Brand, speaks the piece in a deep growl incorporating the sore throat the writer complains of. He would have done better to leave it abandoned, as indeed the publisher would, were it not for the inexplicable value ascribed to every word Beckett ever wrote. We don't ask to hear all the jottings from Beethoven's sketchbooks as well as his finished symphonies. Beckett should make more use of his wastepaper basket.

Theatre I is an encounter between an old blind fiddler playing in the street and a one-legged man in a wheelchair with a pole that he uses to propel himself and also to poke the fiddler into acts of servitude, such as going on his knees to tuck in a blanket. At the end, the fiddler snatches the pole from the other man and menaces him with it. In short, we have a variation on Pozzo and Lucky from Waiting for Godot (which was written some ten years earlier). Brian Abbott and Hamish Patrick play the men, and the decor, a red-and-black evocation of crumbling civilisation, is by no less than Sidney Nolan.

Theatre II is much less characteristic of Beckett. Two men with the personalities of secret agents meet in a room where a third man, with his back to the audience, gazes out of the window. The two men are waiting for him to jump from it, and while they wait they discuss his case. There is some comic by-play with a lamp that constantly goes out and comes on again. At the end, one of the men, having examined the subject's face by the light of a match, discovers something remarkable about him. Perhaps he is dead. Perhaps he is a leper. Perhaps anything you like, but Beckett does not tell you. The man "takes out his handkerchief and raises it timidly towards C's face." So perhaps he only needs his nose blowing.

Brian Abbott and Steve Morley play the men I have called secret agents, though Beckett calls them only A and B (but reveals in the text that their names are Bertrand and Morvan). Hamish Patrick plays the immobile C, the man at the window.

OVERSEAS NEWS

Muzorewa–Smith talks likely to start this week

BY TONY HAWKINS SALISBURY, Nov. 27.

WITH THE acceptance by Bishop Abel Muzorewa of Mr. Ian Smith's "internal settlement" initiative, the way is open for preliminary talks to get under way in Salisbury this week.

Although the Bishop laid down a number of additional demands in his acceptance speech to a party rally on Saturday, none of these are likely to prevent the talks from going ahead. They included a call for an end to all executions of guerillas, a "safe return" policy for guerillas, the demand that nationalist guerillas be "transformed" into the Zimbabwe National Army, that Britain chairs a constitutional conference proper and that the whole exercise be completed in time for formal independence to be declared on September 12.

The Bishop said he hoped that all parties that participated in the abortive Geneva conference last year would participate and he called for the exclusion of Chief Chirau's Zimbabwe United Peoples Organisation. However, he made clear that if the Patriotic Front—led by Joshua Nkomo and Robert Mugabe—declined to take part, then there should be no "waiting around" for them to change their minds. The Bishop said he reserved the right to withdraw from the talks if it became evident that there was any deviation from the principle of "one person over the age of 18, one vote."

If this demand is accepted—and it seems clear that Mr. Smith is now bargaining for some protective machinery for the minorities and very little else—then some 3m. blacks would be enfranchised. The maximum number of white (including Asian and coloured voters) would not much exceed 100,000 to 125,000 voters (assuming all eligible whites registered for the vote) so that there would quite clearly be majority rule.

The feeling here is that the Rhodesian authorities will meet the Bishop more than half-way on most of the demands, the most sensitive of which relate to the security forces. But there is some considerable scepticism here about the Bishop's position on this issue. His demand that the nationalist guerillas should form the basis of the Zimbabwe national army is predicated on his frequently expressed assertion that the bulk of the guerillas are loyal to his United African National Council.

However, although many—if not most—of the Zanla (those loyal to the Mugabe wing of the Patriotic Front) guerillas may have been "recruited" in the name of the Bishop's UANC, it is questionable whether many of them retain that loyalty.

Accordingly, informed sources here take the view that his demands about the security forces are mere "window dressing"—aimed at creating the impression that the Bishop is in control of the guerillas than anything else. Government sources believe that the Bishop needs the existing Rhodesian security forces to prevent any victory he might win at the polls from being overturned by guerillas loyal to Mr. Nkomo or Mr. Mugabe.

The flat rejection of the internal plan by the Patriotic Front is not surprising. Rhodesian sources insist that Mr. Nkomo's rejection is based on his intelligence from within Rhodesian telling him that he would lose free elections. Accordingly, the sources here say, the Patriotic Front has shifted its ground and is increasingly demanding a handover to its forces rather than an interim administration to be followed within six months by free elections.

Editorial Comment Page 14

'600 dead' claim after Rhodesian raid

By Quentin Peel

JOHANNESBURG, Nov. 27.

UNCONFIRMED REPORTS this week-end suggested that a major Rhodesian raid into Mozambique, aimed at a Rhodesian Nationalist guerilla base, had resulted in heavy casualties. It was reported that fierce fighting was still continuing on Friday, two days after the raid began, and the lack of any confirmation from Rhodesian defence headquarters suggests that Rhodesian troops were still inside Mozambique over the week-end.

The raid has so far only been announced by the Mozambique Defence Ministry, although few new details have emerged since the first communiqué issued late on Wednesday night. Rhodesian defence spokesmen have refused to comment—although significantly they have not denied the reports, or prevented Rhodesian Press and broadcasting media from repeating them.

However, reports in South Africa say that the Rhodesian forces have killed "600 or more" Nationalist guerillas belonging to the Zimbabwe African National Liberation Army (ZANLA), the military wing of Mr. Robert Mugabe's Zimbabwe African National Union (ZANU). Unconfirmed Rhodesian sources say that there have been several casualties on their side, and two aircraft have been shot down—a Hawker Hunter jet fighter and a helicopter.

Radio Mozambique said the raid was aimed at unspecified targets 20 kilometres from Chomoio, capital of the central Manica province. Subsequently the radio reported that Rhodesian troops had been landed by helicopter within eight kilometres of the town. It also claimed that attack was carried out with "Mirage bombers" and helicopters—although Rhodesia denies having any of the French aircraft which are used by the South African Air Force.

According to a front page report to-day in the South African Sunday Tribune, the Rhodesian Light Infantry crossed the border at 3 a.m. last Tuesday, "after the crack Special Air Service softened up the Mozambique side."

The report, which is datelined Salisbury, says: "Sources have suggested the Rhodesians quickly knocked out 30 trucks and 10 or more recoilless guns." It also quotes further unspecified sources as saying that the Rhodesians have already killed "600 or more" ZANU guerillas.

Iran admits student arrests

By Our Own Correspondent

TEHRAN, Nov. 27.

AFTER ALMOST two weeks of political disturbances on city streets and university campuses, the Iranian authorities have at last confirmed that arrests are being made. No official figures have been given, but claims vary from 250 up to 600.

To the official news agency, Pars, the Government yesterday acknowledged that a well-known Left-wing writer, Mr. Mahmud Etemadzadeh, and his son, were arrested at their home on Thursday morning. Mr. Etemadzadeh, a 61-year-old former Communist, was to have given a lecture on "Freedom" last Monday.

Iran seeks $890m. development loans

BY ANDREW WHITLEY TEHRAN, Nov. 27.

IRAN IS currently negotiating foreign loans totalling $890m. The borrowers are four State agencies, who need the funds for general development purposes.

The largest single borrower is the national petrochemical company. Its two loans for $310m. and $50m., led by Chase Manhattan and Kuhn Loeb respectively, have already been syndicated and their signature is expected in London next week.

Only the larger sum has been guaranteed by the government, the other loan is for a specific undisclosed project, possibly part of the major petrochemicals expansion programme at Bandar Mahshahr on the Persian Gulf.

According to Iran's Committee for Acquisition of Foreign Loans, the other borrowers are the Telecommunications Company of Iran seeking $250m., the Industrial Development Bank with $200m. and the Agricultural Development Bank with $80m.

● Continuing emphasis on pressure on the U.S. dollar when the international money markets reopen this week may well force a change in the Iranian rial's parity against the American currency. In turn this would remove the distortions in the rial's rate against the currencies of its other major trading partners, which has led to an effective 4½ per cent. devaluation in the past three months.

Officially, the rial is pegged to the Special Drawing Right, which permits movement within a "snake" of 4½ per cent. before any change. In practice, the heavy weighting of the U.S. dollar within the SDR "basket" of 16 currencies means an unofficial link with the American currency.

In the past, this has suited the Iranian financial authorities as the vast bulk of the country's foreign trade is denominated in dollars. But the recent decline of the dollar has forced the rial up to the limit of the SDR margin, and created a situation whereby the Japanese yen and the Swiss franc have both appreciated against the rial by over 10 per cent. in the past two months.

Sterling has gone up by 4.2 per cent., and the Deutschmark by 4.9 per cent. In contrast, the French franc has only appreciated by 1.4 per cent. and the Italian lira by 0.6 per cent., creating obvious commercial advantages in the Iranian market.

Soviet nuclear 'accidents'

By David Bell

WASHINGTON, Nov. 27.

THE CENTRAL Intelligence Agency has released portions of 14 hitherto secret agency reports which describe two purported nuclear accidents in the Soviet Union, one of which may have killed hundreds of people and maimed thousands more.

Responding to a request from an American organisation that opposes nuclear power, the CIA late on Friday issued a set of highly censored documents about two accidents that apparently occurred near Kyshtym in the Urals between 1958 and 1961. These were the same incidents as those referred to by Dr. Zhores Medvedev, the exiled Soviet scientist, in an article in New Scientist magazine, in November 1976.

Ferenka strike collapses

ALL 1,400 employees at the Ferenka Steel Cord factory at Limerick in the Irish Republic will return to work to-morrow following a ministerial warning that the £20m. plant was facing permanent closure.

The men have been out for almost two months because of an inter-union row. Members of both unions involved agreed to return after Irish Industry Minister Mr. Desmond O'Malley said the Dutch owners would pull out of Ireland if the row was not settled "within days."

Mine strike 'inevitable'

DECLARING that a mining strike was now inevitable on December 6 when the existing three-year contract runs out, Mr. Arnold Miller, President of the United Mine Workers of America has walked out of wage negotiations with the Bituminous Coal Operators Association in Washington, writes Stewart Fleming. There is some hope talks will resume on Tuesday.

It is the second time during the weeks of talks that Mr. Miller has broken off negotiations.

Andreotti plans austerity package to satisfy IMF

BY DOMINICK J. COYLE ROME, Nov. 27.

A FURTHER ROUND of austerity measures is expected to follow yesterday's meeting of Italian economics Ministers aimed at cutting the public sector deficit next year to a level somewhat closer to the undertaking given to the International Monetary Fund last April, when Italy borrowed $530m.

The meeting, presided over by the Prime Minister, Sig. Giulio Andreotti was not followed by any specific announcements, indeed, all participants including Dr. Paolo Baffi, the Governor of the Central Bank, and senior representatives of the leading State sector companies, were uncharacteristically reticent after the eight hours of talks.

However, Sig. Andreotti himself did caution against undue pessimism in a brief public comment. He emphasised that the Government had limited room in which to manoeuvre and that it was essential for Italy to maintain its credibility with the international financial community. He mentioned specifically that close on $5bn. of international debts would come up for repayment next year.

The meeting failed to throw any new light on the possible extent of the 1978 public sector deficit, although it is taken for granted here that the limit of L14,450bn. (£9bn.), agreed with the IMF last April, will not be honoured.

Zia orders five-year plan

ISLAMABAD, Nov. 27.

THE Interim military Government in Pakistan has ordered the preparation of a new five-year plan with emphasis on increased production of basic food stuffs, improved manpower training so that Pakistanis can work overseas, and a greater drive for the private sector of industry.

This 1978 to 1983 plan, which is to be prepared in outline within three months, was called for by the military leader, General Zia-Ul Haq, at a meeting yesterday with the civil service heads of the various ministries. Since 1971, when the fourth five-year plan was abandoned, there have only been annual plans.

At yesterday's meeting, General Zia said emphasis should be given to the satisfaction of basic human needs and improvements in the rural infrastructure, including farm to market roads. This is an apparent reference to the need to combat rising prices and shortages of basic food stuffs. Recently General Zia blamed the middle-man for current high prices and the Punjab martial law authority has announced it is to prosecute hoarders and black-marketeers.

The improved manpower training to meet the demand for skilled labour both within the country and abroad seems part of the policy outlined by General Zia on his recent Middle East tour when he spoke of bilateral relations being developed.

Soviets hatching a 'super-mini'

BY DAVID SATTER MOSCOW, Nov. 27.

SOVIET engineers are designing a hatchback "supermini" car which will be completely Soviet-designed and built and is intended to compete with popular western models in the 1980's, Soviet export officials have disclosed.

The new Soviet car is to be slightly larger than the mini, with front wheel drive, a one-litre engine, two side doors and a hatchback, specifications which are similar to those of the Volkswagen Polo, Ford Fiesta, and Fiat 127.

Officials of Avtoexport, the Soviet car exporting organisation, said that the car is being designed at the giant Togliatti works on the Volga river but that it is not known whether it will be produced there.

The Soviets are also beginning mass production next year at Togliatti of a new Lada model, the "Niva," a cross country passenger vehicle. It will be about the size of the Ford Cortina, but with four-wheel drive and high ground clearance. It, too, will be completely Soviet designed, but is to incorporate many parts used in other models of the Lada series.

The Soviets plan to produce 20,000 Niva automobiles next year with going to export. They believe there is a market for a comfortable cross country car which would sell for about £4,000 at to-day's prices in the U.K.

The Soviets are expected to play an increasing role in the supply of passenger cars to the world market. Exports have risen from 84,000 units in 1970 to 344,743 units in 1976, now roughly one quarter of total output. More than 93,000 passenger cars of Soviet origin in 1976 went to Western Europe.

Soviet car exports to the West are a valuable source of hard currency. In recent years, some two-thirds of the Soviet car exports have consisted of Lada cars built under licence from Fiat.

S. Korea in major motor expansion

By Terry Dodsworth, Motor Industry Correspondent

SOUTH KOREA is embarking on a major new expansion of its motor industry in an effort to step up exports to about 100,000 vehicles a year by 1981.

The plan, formulated by the country's Industry and Commerce Department, is calling on South Korea's three largest motor companies to raise a fund of 30bn. Won (£34m.) to support parts manufacturers.

The idea is to build a group of factories producing motor components in the machine tool industry complex at Changwon on the south coast next year.

South Korea has an estimated vehicle production capacity, including both commercial vehicles and cars, of about 200,000 units a year, according to the Government.

On the car side the industry is based on the Hyundai Pony model which came on stream earlier this year in a factory complex constructed under the direction of Mr. George Turnbull, the former British Leyland executive who is now working for Iran National.

Production capacity for the Pony is about 50,000 units a year at present, although there is plenty of scope for expansion. The company is strongly orientated towards exports, and showed the Pony at the Geneva Motor Show in the spring of this year as an indication of its intention to bring the car into Europe.

Last year Korea exported 1,350 cars, while in the first 10 months of this year exports have increased to 6,000 units worth $13.7m.

Efforts are to be made to expand the number of overseas markets for the South Korean products—mainly concentrated in the Far East at present—and to develop service networks overseas.

● Guest Keen and Nettlefolds (GKN) hopes to sell armoured personnel cars to the Philippines. Company sources said initial sales of 40 vehicles, costing between $80,000 and $100,000 each, were possible and the Philippines had indicated an eventual need for about 200.

● Chrysler France said it will launch the new Horizon range of cars on January 2. It plans to produce 205,000 Horizons next year, with 55 per cent. for export. Total capital investment for the project has been Frs.635m. The cars will sell in France for between Frs.24,000 and Frs.27,000.

U.S. money supply up slightly

By Stewart Fleming

NEW YORK, Nov. 26.

A MODEST increase in the U.S. money supply last week and evidence of greater flexibility in the Federal Reserve Board's monetary policy have created hopes of a period of stability in the New York money markets.

The latest money supply figures show that the M1 measure, currency and chequeing accounts, increased to $339.9bn. in the week ending November 16, compared with $333.7bn. in the previous week. The M2 measure, which includes deposit accounts, rose to $802.8bn. from $801.7bn.

During October there was considerable concern that rapid money supply growth would provoke the Federal Reserve's open market committee to tighten its monetary policy further and force short-term interest rates higher. Since the beginning of the year Fed policy had contributed to an increase of 2 percentage points in many short-term rates with the prime rate charged by commercial banks rising to 7¾ per cent. from 6½ per cent.

In recent weeks, however, monetary growth has slowed significantly. Thus in the latest four weeks M1 averaged only a 6.7 per cent. rate of gain compared with 13 weeks ago. Rising prices in long-term bond markets, and some decline in short-term interest rates in recent weeks are a reflection of the improved monetary picture.

In addition, analysts have noted that the recently published minutes from the October meeting of the Federal Reserve's open market committee indicate that the committee is anxious not to force up short-term interest rates again unless it is clearly necessary.

The minutes say, for example, that some committee members felt that it was important to emphasise that the basic goal was to "contribute to the satisfactory performance of the economy" and not to compromise that goal by "seeking to attain pre-determined rates of monetary growth."

The minutes report, too, that the members were agreed that little or no decline in the key federal funds interest rate should be contemplated under foreseeable circumstances before their November meeting.

They added that the aim would be "to maintain the prevailing money market conditions during the period immediately ahead."

While the greater stability in the money markets will be widely welcomed, there are some fears among the Fed's critics lest its more flexible approach allow monetary growth to get out of hand again and stimulate inflation.

ON OTHER PAGES

Siemens wins $40m. Argentinian order

By Max Wilkinson

SIEMENS OF Germany has won a $40m. contract for supplying telephone exchanges and lines to the Argentinian telephone authority. The company will provide the state-owned Entel (Empresa Nacional de Telecomunicaciones) with 77,000 new telephone lines in eight urban central exchanges. It will also make 23,000 lines to connect the central exchanges with automatic inter-urban exchanges which are being built for the World Cup football games in June 1978. Siemens will also deliver 135,000 telephones. The equipment which is due to be delivered by late 1980 will be built in Siemens' plant at Equitel in San Martin near Buenos Aires.

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WORLD TRADE NEWS

CHINESE TALKS IN EUROPE

London heads the list

BY COLINA MacDOUGALL

CHINA'S Foreign Trade Minister, Mr. Li Chiang, arrives in London to-day for talks on trade with Government Ministers and senior industrialists. He will be meeting Mr. Edmund Dell, Secretary for Trade, to-morrow, and is to call on the Prime Minister and other Ministers later in the week.

Mr. Li's appearance here is the first by a senior Chinese Trade Minister for almost five years. He has put London at the top of his European visiting list (though he is due to go to France afterwards) and his party includes the chief vice-chairman of China's State Planning Commission, the man who will no doubt advise him on Peking's needs. These points all suggest that Britain has overcome its reputation for high prices and unreliable delivery dates and now occupies a definite place in Chinese thinking as a potential equipment supplier.

The mission's interests are reflected in the programme, which includes talks with Mr. Eric Varley, Secretary for Industry, and Mr. Anthony Wedgwood Benn, Secretary for Energy. Outside London the group will visit the Rolls-Royce works at Derby (already involved in the Spey engine contract for China), the British Rail Technical Centre, the British Steel Works at Redcar, and ICI Petro-chemical plant on Teesside.

The sensitive question of Harrier sales by Hawker Siddeley is likely to come up, and on aviation in general the mission will attend a presentation by British aerospace. However, Peking's interests are currently in every aspect of modernisation, and the group is expected to renew contact with all the British industrialists who recently toured China.

Two important delegations from the U.K. have come back from China in the last few weeks, convinced that Peking intends to modernise as fast as possible and to use foreign technology in the process, though plans to buy are not yet finalised. The first, sponsored by the Sino-British Trade Council, contained besides industrialists, such old China hands as Sir John Keswick and Mr. Bernard Buckman, and pursued the conventional lines of exploratory talks with Chinese officials. The second, led by Lord Roll, chairman of S. G. Warburg, tried a new approach, holding a symposium in Peking on topics likely to attract Chinese officials such as the EEC and the international monetary situation.

Spread over both groups were senior representatives of the steel, railways, petro-chemicals, aircraft and finance world. Lord Roll's party returned with a clear idea of the general categories the Chinese were interested in—equipment for oil exploration and drilling, coal mining, power generation, chemicals, metallurgical communications and transport—but the Foreign Trade Corporation, which handles the negotiating side of trade, would not be specific. However, the Chinese noted that they might require equipment from all the companies represented (these included Burmah Oil, Rio Tinto Zinc, Hawker Siddeley and John Laing).

Japan and China held negotiations in Peking on Saturday for a long-term bilateral trade agreement which Japan hopes to conclude by next January, AP-DJ reports from Peking. The meeting was attended by 20 Japanese businessmen led by Mr. Yoshihiro Inayama, chairman of Nippon Steel, and Chinese Vice-Foreign Minister Liu Hsi-Wen.

There is certainly room for improvement in British exports to China, which have fallen by nearly 40 per cent. since 1975. Imports on the other hand, are up by a third, leaving the U.K. with a deficit up to October this year of £35m., on a two-way trade worth only £137m.

In the general state of friendly relations now prevailing, and the improved standing of British industry in Chinese eyes, this deficit might carry some weight. The Chinese themselves are seriously in the red with their two major suppliers, Japan and West Germany, and other things being equal might be prepared to turn elsewhere. Europe seems to be looming ever larger in Chinese policy as a friend and supplier of necessary industrial equipment, and so far Britain appears to be among the front runners.

Chinese trade as a whole is now in a relatively healthy state with a small surplus last year and a much larger one—well over $1bn. expected this year. Peking had narrowed the gap on trade with its OECD part[ners] (which include all its grain [and] industrial suppliers) to u[nder] $100m. in January-July this y[ear] compared to nearly $900m. o[ver] of 1976. Admittedly this has [been] achieved by rigorous cutting [of] imports, and the surplus [is in] any case mostly bespoke [because] of payments now due on [new] plant and grain purchases.

However, the Canton [Fair] which closed in mid-Novem[ber] showed that the economy [is] slowly recovering from the m[uch] advertised depredations [of] Chairman Mao's widow and [the] "gang of four." Chinese sup[plies] have improved consider[ably] over the previous couple [of] occasions, and some British [buyers] they ever had (as did [the] Chinese).

Significantly perhaps, Europeans did better than [the] Japanese, whose role the Chi[nese] seem to be deliberately tr[ying] to reduce.

If China's imports are ha[ving] problems in reaching tak[e-off] this is probably because [the] planning process has been [de]layed by passive resistance [from] the workers and the caution [evi]dent in the Peking leader[ship] now that the commanding [pre]sence of both Mao and Chou [En-]Lai has gone.

While Chairman Hua's Go[vern]ment has shot a few l[eading] followers of the gang of [four,] on the whole it has used [kid] glove methods and is now wo[oing] worker loyalty with hi[gher] wages and incentive sche[mes]. Perhaps with this in mind, Li is to visit the Kensington [High] Street Marks and Spencer['s to] see how Britain handles the [mar]keting of daily necessities [for] the masses.

Brazil cuts Carajas iron ore development

BY DAVID WHITE RIO DE JANEIRO, Nov. 2[7]

BRAZIL has scaled down by a third its planned iron ore development in the Amazonian Serra dos Carajas mountain range, the biggest known reserve of its kind in the world.

A spokesman for Companhia Vale do Rio Doce, the State-controlled mining group, said that the investment target had been reduced from $3.5bn. to $2.2bn.

The reduction, which follows the withdrawal of United States Steel from the project six months ago, is believed to have been made with the aim of encouraging other foreign groups to take a share of the capital burden.

Under the initial development plan, which envisaged an output starting at 12m. tonnes a year and increasing 50m. tonnes over a five-year period, cost increases were expected to bring total spending to $4bn.—half of this going on a railway through over 500 miles of jungle to the Atlantic coast, from where the ore is to be shipped.

U.S. Steel pulled out after lengthy and tortuous discussions with the Brazilian company, in which the two sides failed to agree on important policy questions, including the division of management responsibilities. U.S. steel, which had earlier reduced its purchasing commitment to 9m. tonnes a year from 25m., eventually sold out its 49 per cent. stake for a token $51m.

Other international steel companies, including British Steel, were scheduled to take part of U.S. Steel's original share in agreements which guaranteed them regular raw material supplies for their steelmills.

However, the present worldwide depression in the steel industry has lifted the pressure on iron ore supplies, and the Brazilians have so far failed to secure definite commitments from prospective partners in the Caracas venture. Reserves at Caracas are estimated at 16m. tonnes of top-grade ore and a further 2m. tonnes of commercial ore.

The Spanish group Altos Hornos de Vizcaya, Usinor of France, Daugust Thyssen-Huette of West Germany and a Japanese consortium are among those which have made i[nitial] contacts on the project, al[ong]side British Steel, which u[nder] the original plan was to ta[ke a] 5 per cent. shareholding.

Production at Carajas [was] initially scheduled to star[t in] 1979.

It is not yet certain what e[ffect] Japan's planned cutbacks of [iron] ore purchases will have on [the] Brazilian mining industry.

Japan is Companhia Val[e do] Rio Doce's principal client [and] is due to buy 19m. tonnes o[f ore] this year.

Brazil's total iron ore [ship]ments this year are expecte[d to] be 5 per cent. down on last y[ear at] 68m. tonnes, although rev[enue] is expected to rise slightly, [top]ping $1bn after a record $9[...] last year.

Sales in the first half of [the] year dropped 14 per cent. [com]pared with 1976 levels, but [the] situation has since impr[oved] with new contracts, inclu[ding] one for pallets to Trini[dad].

Brazil is meanwhile negotia[ting] the sale of 4m. tonnes of o[re a] year to China and is hoping [for] deals with other Asian c[oun]tries.

GATT warns of textile 'chaos'

BY OUR OWN CORRESPONDENT GENEVA, Nov. 2[7]

INTERNATIONAL OFFICIALS here warned over the week-end of "total chaos" on world textile markets unless a compromise can be reached on renewal of the present MultiFibre Arrangement, which expires at the end of this year.

The textiles committee of GATT, the General Agreement on Tariffs and Trade, convenes on Dec. 5 to discuss the situation. But officials here say they are unable to predict how long this meeting will last. If the irreconcilable differences remain it may last only for a day but if there is a real chance of compromise then the talks could go on for a week or more.

The international MultiFibre Arrangement (MFA), which came into force on January 1, 1974, expires on December 31. Earlier GATT attempts this year failed to achieve agreement on a renewal.

Officials said the European Community insists on escape clauses to enable it to erect import barriers if necessary against cheap textiles from Asian countries. The U[.S.,] Switzerland and some ot[her] nations are prepared to re[new] the present arrangement as [it] stands but reject any spe[cial] treatment for the Communit[y].

"Everything now depends [on] the current Community ta[lks] with the Asians," one Gatt offi[cial] stated. These negotiations [are] not going well, officials here [said] gloomily. Hong Kong in parti[cu]lar is resisting restrictions on exports.

Mitchell Cotts £18m. mines contract

BY PAUL CHEESERIGHT

MITCHELL COTTS, the London engineering, transport and trading group has won a $A30m. (£18.6m.) design contract for a new plant at the Mount Newman iron ore mine in the Pilbara region of Western Australia.

This is the second design contract the group has won on the Pilbara. Last year it was awarded work on the Rio Tinto-Zinc group's expansion programme at the Hamersley mine.

At Mount Newman, Mitchell Cotts has what Mr. Philip Dunkley, the managing director, calls "total responsibility for detailed process design and engineering plus plant layout of the concentraton plant which is the main element of this $A113m. scheme."

Work on the first phase of the project started in July, but Mr. Dunkley explained over the week-end that an announcement of the Mitchell Cotts' involvement had been delayed until official approval for the expansion had been granted.

Last Thursday, the Mount Newman joint venturers—Amax of the U.S., CSR and Broken Hill Proprietary of Australia, Selection Trust of London, and Mitsui and C. Itoh of Japan—received that approval from the Western Australian Government.

The new plant is expected to come on stream in late 1979. It will produce annually 5m. tonnes of high grade iron ore from 7m. tonnes of low grade material. Three-fifths of the output is destined for Japan. The new plant will give Mount Newman a yearly capacity of 45m. tonnes of iron ore.

At the height of Mitchell Cotts' activity, the group will have 200 personnel working on the project. All but six will be locally recruited.

Mitchell Cotts is already familiar with the mine. Before it was awarded its present contract it conducted preliminary work which resulted in a cost and engineering appraisal.

This latest news of expansion on the Pilbara, an area dog[ged] by poor industrial relati[ons,] comes at a time when Japan [is] seeking to reduce imports of c[oal] and iron ore as part of measu[res] to cope with the recession in [the] international steel indus[try.] Japan is the most important m[ar]ket for Western Australian i[ron] ore.

Beecham's project

Beecham, the British phar[ma]ceuticals group, has announ[ced] further details of its propo[sed] Irish project. Giles Mert[on] writes: Following the recent [go-]ahead granted by the Republi[c's] planning Appeals Boa[rd,] Beechams has revealed that t[he] delays caused by opposition [to] its planning application h[ave] resulted in a reappraisal of th[at] part of the project concern[ed] with bulk production.

The plant that Beechams is [to] build at Ballycaseymore, ne[ar] Shannon, will not now go in[to] operation until 1980. It h[ad] originally been intended to p[ro]duce bulk pharmaceutical co[m]pound at Shannon, but as th[e] additional output will be need[ed] by 1979 Beechams will inst[ead] step up production at existi[ng] factories. The value of t[he] Shannon plant is therefore e[x]pected to be nearer £15m. th[an] the £25m. reported earlier a[nd] the Irish plant will speciali[se] in semi-synthetic penicillins [in] their final dosage forms.

World Economic Indicators

RETAIL PRICE INDICES
INDUSTRIAL PRODUCTION 1970=100

	Sept. '77	Aug. '77	July '77	Sept. '76	% Change on year
U.S.	132.4*	131.9	132.4	124.6	+6.3
U.K.	102.0	102.7	102.4	102.4	−0.39
West Germany	113.6*	97.2*	106.7	114.9	−1.1
Italy	132.9	71.0	122.6	139.1	−4.5
Japan	130.2	129.2	128.0	126.7	+2.7
France	126.0	124.0	124.0	129.0	−2.3
	Aug. '77	July '77	June '77	Aug. '76	
Holland	107.0*	97.0	117.0	109.0	−1.83
Belgium	108.7	76.0	121.3	123.3	−11.84

* = Provisional.

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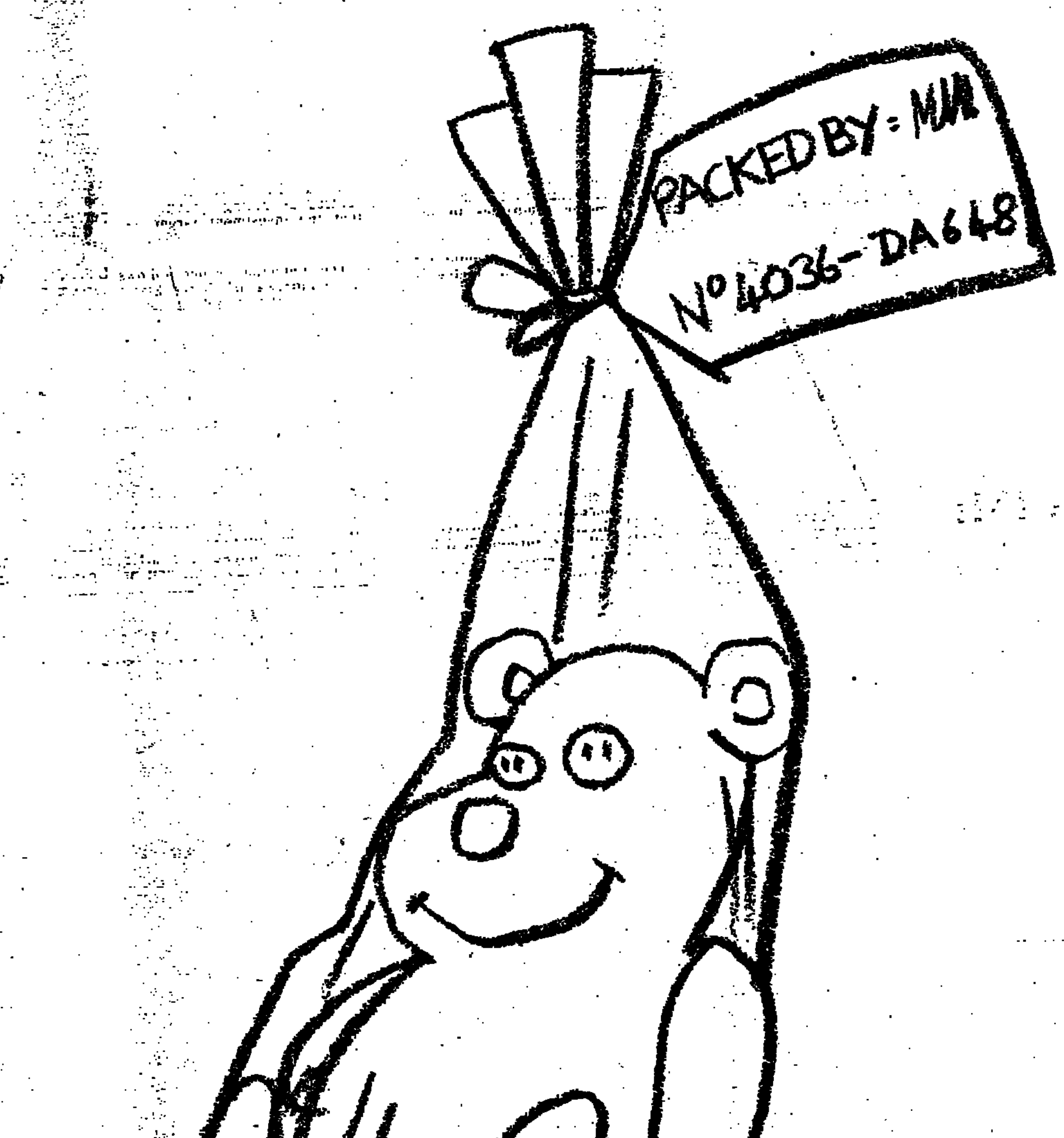

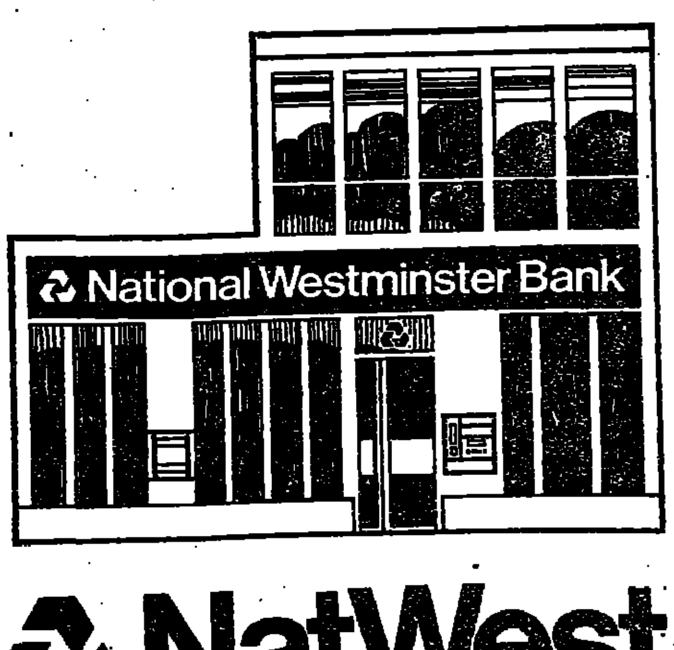

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NatWest

HOME NEWS

Vanguard Unionist Party disbands

By Our Belfast Correspondent

THE VANGUARD Unionist Party, led by Mr. William Craig, the East Belfast MP, has decided to disband — a move which will enable most of its members to join the Official Unionists, the largest party in the province.

The decision, taken by a 37-7 majority at a central council meeting, came after six months of talks between Mr Craig and Official Unionist leaders about the possibility of a merger.

Mr. Craig is expected to receive the Official Unionists' endorsement as their candidate in East Belfast in the next election. He said that the decision was taken in the interests of greater Unionist unity.

"To have five separate Unionist Parties in Northern Ireland is a nonsense."

Coalition

Vanguard was formed in March, 1973, by hardline Unionists in an effort to block moves towards power-sharing. It played a leading part in the Ulster Workers Council strike the following year.

It later split over Mr Craig's commitment to the idea of an emergency coalition, which would have contained representatives of the minority. Most of the membership broke away under Mr. Ernest Baird, leaving only a small section loyal to Mr. Craig.

● Ulster policemen are to be issued with a new type of hand gun. The .38 Magnum revolver, in use with U.S. law enforcement agencies, will gradually replace the less-powerful Walther automatic pistol.

Civil Service break-up plan may be rejected

BY DAVID CHURCHILL

THE PRIME MINISTER is expected to end this week the speculation about the future of the Civil Service Department after the recent report by a Commons committee recommending its dismemberment.

The announcement, expected to coincide with the naming of a successor to Sir Douglas Allen as head of the Home Civil Service, is likely to reject any break-up of the department. Instead, the Prime Minister could even go so far as to give the department new responsibilities such as control of personnel in the Treasury and Cabinet Office.

The recommendation that the manpower and efficiency functions of the Civil Service Department should be transferred to the Treasury, to help with controlling public expenditure, came from the Commons Expenditure Committee's report on the Civil Service published in September.

The committee's recommendation for the department has been publicly and privately criticised in Whitehall by officials and unions. The strength of their opposition is said to have influenced the Prime Minister in his attitude to the report.

If the department were dismembered along the committee's lines it would leave the rump with little effective power and add to the Treasury's already considerable influence within the Civil Service.

But speculation about the department's future since the committee's report has led to a serious decline in morale among staff and this has prompted the Prime Minister to consider making an early statement on its future.

The Government's main response to the committee's report will be made in a White Paper, expected to be published shortly before Christmas. Permanent Secretaries from Government departments will meet this week to consider final drafting of the White Paper before it goes to the Cabinet.

The feeling in Whitehall is that, apart from accepting a number of minor changes suggested by the committee, there will be no major restructuring of the Civil Service before the next election.

A complete overhaul of the machinery of Government is being considered by a Labour Party sub-committee and the Government is likely to await its report, not expected before next autumn's conference, before considering major changes.

The expenditure committee is under fire to-day from the Association of Metropolitan Authorities which criticises the proposals in the report on the Civil Service to make local authorities more accountable to Parliament.

The proposals "would effectively place local authorities in the same position as a central Government department and they would become accountable to the Public Accounts Committee of the Commons," the association says.

The proposals showed a lack of understanding of local Government and would be less effective than the present method of reporting to ratepayers rather than Parliament.

"Our close relationship with the people we serve is the best safeguard the public can possibly have." Councillor Jack Smart, chairman of the association said.

Meriden clears its cycle stockpile

FINANCIAL TIMES REPORTER

THE STOCKPILE of 2,000 motorcycles which caused a cash crisis a year ago at Meriden Co-operative, and a Government-inspired £1m. rescue bid by GEC, has been cleared.

Also, it has been confirmed that a similar number has been sold to the U.S., Canada and the rest of the world.

Another 50 jobs have been created, bringing the labour force to 850.

This optimistic pre-Christmas outlook was passed at the week-end to employees by the co-operative Board. Afterwards, Mr. Felix Keene, Board member, dispelled fears of another critical financial period during the lean winter sales months by saying there would be no difficulty in resuming repayment of interest on the Government loan of £4.2m.

The 1978 model 650cc Bonnevilles and Tigers are coming off production lines.

Launch of Japanese truck range postponed by Colt

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

COLT CARS, U.K. importer of Mitsubishi vehicles, is postponing the launch of a range of Japanese truck for about a year.

According to original plans, Colt was to have introduced Mitsubishi's 5.5-tonne Canter model to the British market this autumn. It has decided to delay the launch until the Birmingham Motor Show in October to coincide with the introduction of a new model.

Colt says the change in plans will allow time to build a stronger dealer network, with an aim of about 50 outlets across the country.

Plans for introduction of the Canter to Britain are viewed with considerable apprehension by U.K. commercial vehicle producers, because Japanese imports have been confined so far to smaller and lighter vehicles.

Unlike Datsun, Toyota and Honda, which have established a significant presence in the market for car-derived vans and pickups, Mitsubishi is a manufacturer of medium to large-weight trucks.

These types of vehicles cost a great deal more than smaller versions and account for a considerable proportion of the profits of U.K. commercial vehicle manufacturers.

Indications are that Colt would like to expand its range of commercial vehicle models sold in the U.K. once the Canter is established.

This has led to suggestions that the company might want to establish an assembly site in Europe.

Assembly

On economic grounds, it is more feasible to export trucks in knocked-down form for overseas assembly than to ship them in a finished state. Already, one Japanese heavy truck manufacturer, Hino, has established assembly facilities in Ireland.

In the case of Colt, the company has announced its intention of trying to use as many British-made components in the vehicles it imports as possible. Some of these units, such as lights, will be assembled into the vehicles when they have reached the U.K.

Bigger role planned for CBI members

By John Elliott, Industrial Editor

CBI leaders are drawing up pla to give members a bigger polic making role at their seco national conference next Nove ber after their successful fi conference in Brighton earl this month.

Officials of the organisati soon will be placing advan bookings for the event, probab at Brighton or Blackpool, wi a long-term reservation for Harr gate in 1979. A fourth, but le popular, location under co sideration is the Wembley co ference centre in north Londo

The conference may be e tended next year to two or ev three days.

A detailed assessment of t impact of this month's conf ence is to be made by CBI leade as a result of a questionnai being circulated to membe covering items such as the lo tion and length of the event a the type and organisation of t debates.

The most difficult problem w be how to involve the peop attending the conference mo while maintaining the event as an effective promotional vehicle f the CBI. This month's conference w heavily stage-managed, whi had the advantage of making f debates emerge in a cohere form.

But CBI leaders believe th this approach could not be co tinued without members co plaining that they did not ha sufficient opportunity to influen debates.

The CBI's leaders hope that future years more members w try to make speeches witho detailed written texts, whi should help to give the deba a more spontaneous mood.

More home news on Page 30

English show little interest in devolution, says Minister

BY RHYS DAVID, NORTHERN CORRESPONDENT

THE PUBLIC in England has reacted very slowly to Government attempts to draw it into the devolution debate through a discussion of possible options for the English region.

While there has been some response from public bodies to the White Paper, Devolution the English Dimension, fewer than *100 letters have been received* from people in the North of England—the area which is most likely to be affected by the setting up of a strong Scottish Assembly.

The apparent lack of interest in exploring an English solution was mentioned by Mr. John Smith, Minister of State at the Privy Council Office at a special conference on devolution organised by the North-West Economic Planning Council in Manchester. He said, however, that this could not be considered a pretext for failing to go ahead with measures in Scotland and Wales.

Mr. Smith, who has special responsibility for the devolution legislation, told delegates most of whom were critical of the Government's proposals: "People in this part of England are not entitled to say no changes should take place in Wales and Scotland because they do not want changes themselves."

Unfounded

Such an attitude was reminiscent of similar reluctance in the last century to see Ireland gain Home Rule and had resulted in two-thirds of Ireland becoming wholly independent and one-third ungovernable.

Some loosening now of the degree of central control over Wales and Scotland would strengthen rather than weaken the unity of the U.K., *he said.*

Mr. Smith assured the 100 delegates, most of them from local government, that their main fear of devolution—that it would lead to Wales and Scotland *receiving an unfair allocation of* resources—was unfounded.

The Government intended to set up independent machinery to advise on standards of services available in different parts of the U.K. so that more information would be available as a basis for granting funds. Furthermore, overall economic and industrial strategy would *continue to be decided in London.*

Among other speakers at the conference, Mr Fred Silvester, Conservative MP for Withington, criticised the continued influence Scottish and Welsh MPs would *continue to have in the* Commons on purely English matters.

He forecast that the devolution proposals would make inevitable the eventual introduction of a federal system in the U.K.

Mr. Michael Noble, Labour MP for Rossendale, that devolution presented an opportunity to reform the structure of government in England and to reverse 100 years of regional decline.

Grant urged for loft insulation

THE GOVERNMENT should pay people to insulate lofts in their homes, says a report to-day from the National Consumer Council.

A seven-point programme suggested by the council would involve the Government setting target dates by which all domestic lofts should be insulated to a high standard and would provide owners of older houses or council houses with grants to carry out the work.

Mr. David Green, author of the report, believes that the programme would cost the Government *£15m. a year over 10 years* —"substantially less than the sum allocated for the electricity discount system this winter."

Insulation and energy advice: some future possibilities: National Consumer Council, 18, Queen Anne's Gate, London, SW1H 9AA; (40p).

Aircraft plea

Twenty Labour MPs, led by Mr. Walter Johnson (Derby South) *have supported a Commons* motion calling on the Government to instruct British Airways not to place orders for aircraft until there has been consultation with the British aircraft industry, Rolls-Royce and unions.

Aintree bid 'on'

A scrap dealer has dismissed suggestions that his £2.5m. bid for Aintree racecourse would not go through. The purchase would *be completed on Wednesday,* Mr. Ronald Lasteed, said.

£1bn. tax relief

The cost of income tax relief on mortgage interest is likely to be about £1.07bn in the current financial year, Treasury estimates said.

New £5m. hangar

Standard Chartered merchant bank group has arranged a £5m. syndicated five-year loan to finance a new hangar for British Caledonian Airways at Gatwick.

Airlines still hit

Traffic at the seven airports owned by the British Airports Authority was down last month, for the third time running because of the strike of air traffic control assistants. Passenger loss was 4.9 per cent. (2.87m.).

Farm post

The Common Market's farming head is to be president of one of Britain's big agricultural societies. Mr. Finn Gundelach, aged 52, takes over next year at the East of England Society and will officiate in July at its three-day show at Peterborough.

Aid policy change 'vital to London'

SWEEPING changes to Government [illegible] ment policies are vital to the rejuvenation of inner London, the Greater London Council said. [illegible] White Paper "Policy for the Inner Cities" [illegible]

Assisted area status should be given to the whole of inner London so it could benefit from Government aid to these areas and take advantage of EEC funds which were available.

"Any lower priority than that given to assisted areas is not good enough," the GLC's policy and resources committee said in a report which will be discussed by the council to-morrow.

The council sees its major strategic role as attracting private investment by providing road and rail links and streamlining the planning processes to reduce delays.

Mr. Richard Brew [illegible] Policy [illegible] Committee, said: [illegible] have had too many words and not enough action from the Government. In inner London there have been done little more than invite authorities to spend their own money. The Government's additional financial contribution is insignificant in comparison with the GLC's investment programme. "In docklands, for example, we have already announced multi-million-pound proposals for road and rail to assist development of the area for industry and commerce."

Ulster spends most per head

By Peter Riddell, Economics Correspondent

THE HIGHEST public expenditure per head and the most rapid rate of growth in the last five years have been in Northern Ireland.

New Treasury estimates show that identifiable public expenditure per head in Northern Ireland rose from £446 in 1972-73 to £1,122 in 1976-77. This is a rise of about 1½ times compared with an increase of around 1½ times in both England and Scotland.

Moreover, spending per head in Northern Ireland in 1976-77 was 48 per cent. higher than the figure in England of £754, and also substantially higher than *the £948 in Scotland and £875 in* Wales.

This reflects the high level of industrial and other assistance in Northern Ireland.

The estimates are of expenditure which can be identified from official records as having been incurred in a particular country, but excluding debt interest and expenditure on defence and overseas services which is incurred on behalf of the U.K. as a whole.

The extent to which expenditure can be identified varies between countries and different years, and the coverage may vary even where similar services are being provided.

Bridge repairs start late

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

WORK BEGINS this morning on the final stages of repairs to the Severn Bridge, which carries the M4 from the West Country into South Wales.

The £200,000 contract covers replacement of the four rocker-arm assemblies, which are under the towers, and stiffening the end diaphragms of the bridge's road decks.

Because of the late start on this important part of the work, there is now no hope of the bridge being opened to two-lane traffic in each direction by the end of the year, as had been hoped.

The earliest that can be expected is sometime in March, which inevitably means further delays for drivers.

It is possible, though, that the bridge authorities will allow full two-lane working over the Christmas break to ease the pressure of holiday traffic. This has happened on previous bank holidays this year.

Fitting the new rocker-arm assemblies is a tricky operation which involves the use of a floating crane. Given the River Severn's strong tides at this point and the winter weather, the work could be delayed even beyond March and so affect drivers over next year's Easter break.

There has been single-lane traffic in each direction on the Severn Bridge since the start of this year. Restricted traffic flows were ordered after reports on the box-girder bridge collapse in Hobart, Tasmania, and the Cleddau, in West Wales. Safety checks revealed the Severn Bridge faults.

The £14m. bridge was opened on September 8, 1966. By the end of that year 1.57m. vehicles had used it. In 1967 the figure was 5.83m. and last year 10.58m. cars, lorries and buses crossed it.

Welsh industry 'not held back by lack of funds'

BY MARGARET REID

GOVERNMENT assistance to Welsh industry should be given mainly through grants if it is to have maximum effect, since this type of help also strengthens a company's ability to raise cash from commercial sources, the Development Corporation for Wales says.

In evidence to Sir Harold Wilson's committee on the financial institutions, the corporation also says that where problems of commercial funding impede development or expansion of industry in Wales, they are usually those specific to smaller businesses. It adds that it "has no reason to believe that industrial development and expansion in Wales have in general been constrained by lack of funds for investment or by any major defect in the structure of the financial sector."

London's tree

Oslo's annual gift to London, a Norway Spruce Christmas tree for Trafalgar Square, arrived at Felixstowe on Saturday by ferry. It will be taken by road to London to-day.

LABOUR NEWS

Town hall workers plan their next pay move

BY ALAN PIKE, LABOUR CORRESPONDENT

UNION LEADERS meet on Wednesday to decide the next move on a pay claim for more than 1m. local authority manual workers, following resounding *rejection of a 10 per cent. offer* by the biggest union involved, the National Union of Public Employees.

There was a majority in 17 of 18 NUPE areas against the *offer, made by the local* authority employers in line with the Government's pay guidelines.

The next move is now in the hands of the Public Employees' two partners on the national joint *council covering local* authority manual workers, the General and Municipal Workers Union and the Transport and General Workers.

Although the Public Employees union has the most members in the field it does not have a voting majority on the council. With the municipal workers expected to favour the offer, a final decision on whether it should be accepted *or rejected is likely to rest with* the transport workers.

If the offer were accepted by the other two unions the Public Employees—which is committed by a conference decision to seek*ing a £50 per week basic minimum*—could be expected to fall into line although there might be some local resistance.

Present minimum for the bottom grade of local authority manual workers is £38.50 per *week, including £8.50 pay* policy supplements which do not count towards bonus pay and overtime.

Under the offer this would rise to £42.40 of which £37.40 *would be basic and £5 supplement.*

Although the offer would involve basic rate increases outside the Government guidelines, the employers say that it would be worth just over 10 per cent. more on earnings.

There may be pressure at Wednesday's meeting to delay a settlement of the manual workers' claim until the firemen's strike is resolved.

There are no immediate signs *of new moves on this and pickets* are preparing for another week outside fire stations. Men in London claim that an increasing number of fire officers are supporting them and refusing to help troops at fires.

On Thursday, National Union of Mineworkers negotiators meet the National Coal Board following the Board's formal rejection of any pay increase for miners before March, their anniversary date under the 12-month rule.

Strike threat by 1,000 haulage lorry drivers

MORE THAN 1,000 haulage lorry drivers in the Coventry area yesterday voted to strike this week if their employers did not agree to a pay and fringe benefit claim.

They have "mellowed" their recent 50 per cent. wage rise *demand, and are ready to accept* an offer of a 15 per cent. increase on the basic rate which would give them an extra £6 a week.

But they are insisting on an extra week's holiday, giving four weeks break after 12 months service. They are also claiming the payment of average earnings for the holidays based on piece work.

Four print unions discuss merger

BY OUR LABOUR STAFF

DISCUSSIONS have taken place between four print unions on the drafting of a new rule book and constitution—the next important step towards a single union for the industry.

The initial partners in the present merger talks were the National Graphical Association and the National Society of Operative Printers, Graphical and Media Personnel. They were later joined by SLADE, the process workers union, and the National Union of Wallcoverings, Decorative and Allied Trades.

Originally it had been hoped that detailed proposals for a merger might be put out to ballot by the end of this year. With four unions involved, discussions have become more protracted and a ballot now seems unlikely before the middle of next year.

If the four-union talks are successful, the next stage in the plan for a single organisation in the industry will involve talks with the biggest print union—the Society of Graphical and Allied Trades.

The desire for a single print union has been spurred by the introduction of new technology challenging traditional demarcation lines. Mr. Owen O'Brien, general secretary of NATSOPA, calls in his union journal this *month for "some form of moratorium"* between unions on demarcation disputes for fear that they will jeopardise the outcome of the talks.

New department heads at TUC

MR BILL CALLAGHAN, 29, has been appointed head of the TUC economic department, and Mr. John Monks, 32, head of the industrial relations department.

The appointments follow the recent reorganisation which *involved the appointment of Mr.* David Lea and Mr. Ken Graham —the previous heads of the two departments — as assistant general secretaries.

Mr. Monks will become finance officer at the TUC on the retirement of Mr. John Balls.

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Duplicate copies of this document have been delivered to the Registrar of Companies for registration, each copy having attached to it a copy of the consents mentioned below, a copy of the statement setting out the adjustments made by the joint reporting accountants for the purposes of their joint report and giving the reasons for them, a copy of each of the material contracts listed below and a copy of the [illegible] letter.
Application has been made to the Council of The Stock Exchange for the whole of the issued ordinary share capital of the Company to be admitted to the Official List.

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At the close of business on 4th November, 1977 the Company and its subsidiaries had outstanding mortgage loans of £31,236, secured bank overdrafts of £318,820 and contingent liabilities in respect of guarantees and indemnities given amounting to £436,322. Liabilities in foreign currencies have been converted into sterling at the rates of exchange ruling on that date. Save as disclosed herein and apart from intra-group transactions, neither the Company nor any of its subsidiaries had outstanding at that date any loan capital, mortgages or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, or guarantees or other material contingent liabilities. At the same date the Company and its subsidiaries had credit bank balances totalling £1,158,619.

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Directors

Sydney Ernest Arthur Farmer, (Chairman)
Courthill Road, Lewisham, London SE13 6HD.

Brian Derek Farmer, (Group Managing)
Courthill Road, Lewisham, London SE13 6HD.

Andrew William Moir Farmer, (Managing: services division)
Courthill Road, Lewisham, London SE13 6HD.

Kenneth Scholfield, (Managing: steel division)
Courthill Road, Lewisham, London SE13 6HD.

Cecil Robert Charles Rhodes, F.C.A., (Financial)
Courthill Road, Lewisham, London SE13 6HD.

Brian Justin Prichard,
8 & 9 New Square, Lincoln's Inn, London WC2A 3QJ.

Bankers

Midland Bank Limited,
85 High Street, Lewisham, London SE13 6BE.

Stockbrokers

Fielding, Newson-Smith & Co.,
Garrard House, 31 Gresham Street, London EC2V 7DX, and The Stock Exchange.

Solicitors to the Company

Rooks, Rider & Co.,
8 & 9 New Square, Lincoln's Inn, London WC2A 3QJ.

Solicitors to the Placing

Clifford-Turner,
Blackfriars House, 19 New Bridge Street, London EC4V 6BY.

Joint Reporting Accountants

Peat, Marwick, Mitchell & Co.,
Chartered Accountants, 1 Puddle Dock, Blackfriars, London EC4V 3PD.

Auditors and Joint Reporting Accountants

Dearden Farrow,
Chartered Accountants, 5/6 Giltspur Street, London EC1A 9PD.

Secretary and Registered Office

C. R. C. Rhodes, F.C.A.,
5/6 Giltspur Street, London EC1A 9PD.

Registrars and Transfer Office

Samuel Montagu & Co. Limited,
116 Old Broad Street, London EC2N 1AN.

HISTORY

The Company was incorporated on 26th April, 1977 to acquire the whole of the issued share capital of S. W. Farmer Holdings Limited ("Holdings"), a company which originated from the firm of blacksmiths established in South London in 1898 by Mr Sydney William Farmer, father of the present chairman. The Company is the holding company of a group of companies specialising in the design and fabrication of structural steelwork and platework. In 1974 and 1975 Holdings acquired from members of the Farmer family the share capitals of certain companies which, although separately owned, had since their incorporation been managed as a single business for all trading purposes. The Company and its subsidiaries are together referred to as the "Group".

BUSINESS

The Company's operating subsidiaries, all of which are wholly-owned, are managed in two divisions. The steel division comprises S. W. Farmer & Son Limited ("Farmer"), the principal operating subsidiary, S. W. Farmer & Son (Darlington) Limited, S. W. Farmer & Son (Leeds) Limited, Farmer Offshore Limited and S. W. Farmer International Inc. The services division comprises Shot Blasting & Metal Spraying Company Limited, Silwood Hire Company Limited and Farmer Freight Limited.

(a) Steel division

Companies within the steel division design, fabricate and, in certain cases, erect structural steelwork for the petro-chemical industry and civil and industrial projects, refinery furnaces for the oil and chemical industries, miscellaneous light steel fabrications and offshore cabins and structures. Whilst the division undertakes work for many sectors of industry both in the United Kingdom and overseas, in recent years an increasing proportion has been related to on-shore installations for the oil and petro-chemical industries and in 1976 these installations accounted for about 73 per cent. of the division's turnover. Customers include major oil companies and refinery contractors throughout the world. Exports have accounted for an *increasing percentage of sales, a record which was recognised when Farmer received the* Queen's Award for export achievement in 1976. Over the last three years exports have averaged approximately 56 per cent. of Group turnover. Contracts from industries other than oil and petro-chemicals are normally obtained by tender, whereas contracts from the oil and petro-chemical industries are obtained by tender and negotiation.

Over the last three years the largest series of related contracts obtained by the Group was valued at about £4.5 million. The majority by value of contracts obtained have been in the range of £100,000 to £1,000,000. Whilst the Group undertakes smaller jobs the trend is for it to enter into an increasing number of contracts valued at more than £100,000.

Companies in the division act either as main contractor or sub-contractor within normal contractual arrangements current in the construction industry. The use of escalation formulae is carefully considered on long-term contracts and it is the present policy of the Group that no major erection work is undertaken without reasonable safeguards for cost escalation.

The steel division has comprehensive facilities at the Group's manufacturing premises in London, Leeds and Darlington for the fabrication of light and heavy structures and furnaces incorporating steel sections and plate. Design and drawing offices are maintained at each main location and in addition drawing offices are located at Morley near Leeds and at Maidstone. The Group currently employs approximately 70 draughtsmen. The steel division has its own permanent construction force to erect steelwork on site where required and provides supervisory staff for overseas contracts. In 1977, S. W. Farmer International Inc. was established to undertake steel erection contracts overseas; it operates from Bahrain where it has a resident director.

(b) Services division

Companies in the services division draw a significant part of their business from Group companies in the steel division but also undertake work for external customers and are treated as separate management and profit centres. Shot Blasting & Metal Spraying Company Limited provides a finishing and paintwork service for structural steelwork and has one of the largest shot blasting facilities of its kind in the London area. Farmer Freight Limited provides a freighting service for the steel division in the collection and packing of structural steelwork and in the preparation of shipping documents. Silwood Hire Company Limited operates a fleet of approximately fifteen self-propelled cranes with a wide range of lifting capabilities, which are hired with driver-operators to outside customers, mainly in London and the South East, as well as to Group companies. It also engages in the sale and hire of miscellaneous items of industrial plant, including portable accommodation units. A travel agency, which in 1976 contributed approximately 18 per cent of the division's turnover but an insignificant proportion of its profits, was sold recently.

(c) Associated companies

*The Company holds 50 per cent. of the issued share capital of Monier Farmer Pro*prietary Limited, an Australian company which was originally engaged in structural steelwork but now only has a 20 per cent. interest in a company which manufactures oil drums. It also acts as an agent for the Group in Australia.

The Company holds a 50 per cent. interest in Firouza-Farmer Co. Iran ("Firouza-Farmer"), *which is incorporated in Iran and is a joint venture with Firouza Engineering* Limited, an Iranian structural engineering company. Firouza-Farmer acts as the Group's agent in Iran where a full time executive of Farmer is resident.

The Company has agreed to acquire a 25 per cent. interest in Tomlander Limited, a private company engaged in welding and fabricating pipework. The acquisition will extend the Group's furnace manufacturing activities and provide further opportunities in this market. Tomlander Limited is shortly to occupy larger premises in the Manchester area purchased by the Company and these will enable further work to be undertaken.

(d) Turnover and profits

A breakdown of the Group's turnover and profit before taxation and extraordinary items in recent years is set out below together with an analysis of the steel division's external sales as between various product categories and home and export markets.

Year ended 31st December,	*1972*	*1973*	*1974*	*1975*	*1976*
(i) Group turnover *(£'000)*					
Steel division					
External turnover	3,822	4,092	5,551	7,862	8,668
Services division					
Total turnover	516	711	889	1,823	2,333
less: intra-group turnover	282	319	464	1,206	1,449
External turnover	234	392	425	617	884
Group turnover	4,056	4,484	5,976	8,479	9,552
(ii) Group profit before taxation (£'000)					
Steel division	254	12	371	458	593
Services division	18	31	15	66	112
	272	43	386	524	723
Associated companies	14	(3)	(3)	2	(21)
Total Group profit before taxation and extraordinary items	286	40	383	526	701

(iii) Steel division sales analysis *(per cent.)*					
Product analysis					
Structural steelwork	62	68	69	60	47
Refinery furnaces	31	23	22	33	39
Other	7	9	9	7	14
	100	100	100	100	100
Geographic distribution					
United Kingdom	67	70	46	47	40
Europe	2	3	1	1	7
North America	1	1	12	1	1
Middle East	26	21	37	48	48
Other	4	5	4	3	4
	100	*100*	*100*	*100*	*100*

MANAGEMENT AND STAFF

Mr. Sydney Farmer, chairman, is aged 65 and has been a director of Holdings since 1935. He is also chairman of each of the Company's subsidiaries, and represents the Group's interests on a number of national and international trade associations. Mr. Farmer will retire as chairman of all Group companies on 31st December, 1977, but will continue to serve as a non-executive director and give the Group the benefit of his long and diverse experience in the industry.

Mr. Brian Farmer, Group managing director, is aged 48 and is the son of a former chairman of Holdings and joined the Group in 1950. He has wide experience of the Group's operations in both the services division and the steel division. He was appointed Group managing director in October, 1974. He also represents the Group on various trade associations and related organisations. *He will become chairman of all Group* companies and chief executive of the Group on 1st January, 1978.

Mr. Kenneth Scholfield is aged 50. He joined the Group in June, 1975 as managing director of Farmer and was appointed a director of Holdings in January, 1976 when he also *became managing director of the steel division. Prior to joining the Group, he had* extensive experience in the management of other public companies engaged in steelwork fabrication, engineering and erection.

Mr. Andrew Farmer is aged 33 and is the son of the present chairman. He joined the Group in 1964 and was appointed a director of Holdings in April, 1972. He became managing director of the services division in January, 1976.

Mr. Robert Rhodes is aged 50 and is a chartered accountant with a background of management in a public company. He joined the Group in October, 1972 and was appointed a director of Holdings in March, 1975. He is also secretary of all the Group companies in the United Kingdom and is responsible for finance and accounting.

Mr. Brian Prichard is aged 52 and is a senior partner in Rooks, Rider & Co., the Company's solicitors, and has experience of public company management. He was appointed a non-executive director of Holdings in June, 1976.

The executive directors, other than the chairman whose service contract with Holdings and certain operating subsidiaries expires on 31st December, 1977, have all entered into service contracts with the Company, details of which are set out in paragraph 6 (iii) of appendix IV below.

The directors are supported in the day to day management of the Group's operations *by divisional boards of management which include seven executive directors of sub*sidiaries. All the divisional directors have entered into service contracts with their employing companies.

Under the terms of their service agreements, the executive directors are entitled to commission on profits at varying rates and, in addition, other executives of the Group are also entitled to such commission pursuant to their contracts of employment. The terms on which commission is payable are fixed by the directors at the beginning of each financial year in respect of the financial year. For the year ending 31st December, 1977, the commission is payable on the audited net profits (less losses) before tax in excess of £200,000 but not exceeding £1,000,000 of certain subsidiaries. The total amount of commission paid for the year ended 31st December, 1976 was £59,833 and the directors anticipate that, in respect of 1977, the total amount of commission will be approximately £60,000. The limit on the total commissions payable in respect of any one year is 10 per cent. of the audited consolidated net profits before taxation of the Group. The board has no intention of increasing this limit and has resolved that it may not be increased without the prior approval of the Company in general meeting.

The Group has approximately 630 full time employees of whom approximately 250 are salaried staff. There is a contributory staff pension scheme. Labour relations are good, no significant disruptions to production having been experienced with the exception *of isolated incidents in connection with erection contracts.*

PREMISES

The Group has five main premises, namely the head office and factory in Lewisham, *factories in Ladywell and Bermondsey, all in South London, and factories at Leeds and* Darlington. The Lewisham site has been the base for the business since it began, although it has been developed and extended over the years. The Leeds factory was recently built by the Group on a site which, when it was acquired, was more than adequate for the Group's immediate needs. The building was designed and constructed in such a way that it can be extended to cope with increased production without being structurally altered or strengthened.

The Group's properties were valued as at 3rd October, 1977 by Donaldson & Sons, Chartered Surveyors, at an aggregate sum of £1,089,350. The Leeds and Darlington *properties were valued on the basis of their existing use and further development potential* and the rest of the Group's properties were valued on the basis of their existing use. Further details of all the Group's properties are set out in appendix II.

In addition, the Company has agreed to purchase for £78,500 the leasehold interests in premises in the Manchester area to be occupied by Tomlander Limited.

WORKING CAPITAL

The directors are of the opinion that, having regard to the bank and other facilities available, the Group has adequate working capital for its present requirements.

PROFITS AND PROSPECTS

As shown in the joint accountants' report in appendix I, the turnover of the Group has risen during the five year period to 31st December, 1976, from £4,056,000 to £9,552,000 and the consolidated profit before taxation and extraordinary items has increased from £286,000 to £701,000.

The results for 1972 reflect the successful completion of a number of contracts larger than had previously been undertaken by the Group. In 1973, a combination of difficult trading conditions and inflationary cost increases substantially reduced profitability. A low level of enquiries for new work necessitated the taking of lower value contracts at reduced margins which were further eroded by higher costs. However, no significant losses were sustained on any contracts taken or completed in 1973 and the Group's manufacturing and financial resources were adequately maintained to take advantage of the subsequent improvement in trading conditions. In 1974 and 1975 the Group was able to continue *its policy of seeking more specialised, higher value contracts. 1976 was again a record year* for the Group and further growth in turnover and profits was achieved.

As stated in the accountants' report *the reported profits of each financial year reflect* to a material extent the outcome of work carried out in earlier years. The impact of this has been most marked in the case of the series of contracts referred to above under Business (Steel division). These contracts contributed 30 per cent. of the steel division's turnover in 1975 and 16 per cent. in 1976, and were largely completed by 31st December, 1976. A proportion of profits was taken in 1976, but as a result of provisions outstanding at 31st December, 1976 and subsequently released, the contracts have contributed nearly 40 per cent. of forecast Group profit before taxation for the year ending 31st December, 1977, and further provisions are still outstanding pending commissioning of plant to which the contracts relate.

For the six months ended 30th June, 1977 Group turnover was £5,743,000 and Group profit before taxation and extraordinary items was £500,000. The directors are of the opinion that, in the absence of unforeseen circumstances, Group profit before taxation and extraordinary items for the year ending 31st December, 1977 will be not less than £850,000.

The principal assumptions on which this forecast is based are set out in appendix III together with copies of letters relating to the forecast from the joint reporting accountants and from Samuel Montagu & Co. Limited.

The directors view the prospects of the Group for 1978 with confidence. In recent months there has been a noticeable improvement in the quality and margins of contracts in hand and substantial export contracts have been obtained for fabrication during the early part of 1978. The current order book is equivalent to five months' work, the highest level for over two years. The directors believe that the requirements for new refinery plant to process North Sea oil should provide a substantial market for the Company's products in the United Kingdom.

Factories and drawing offices are working at full capacity and the Group's capital expenditure programme will be concerned with further modernisation, improvement and expansion.

DIVIDENDS AND ALLOCATION OF PROFITS

It is the intention of the directors to recommend a dividend on the ordinary shares *in respect of the year ending 31st December, 1977, payable in June, 1978, of such amount* per share as will, together with the associated tax credit, produce a gross equivalent of 7.65p per share. At the current rate of taxation, this recommended dividend would be 5.05p per share.

If the above profit forecast had related to a year during the whole of which the issued share capital of the Company had been listed, the directors would have expected to recommend dividends of such amount as would, together with the associated tax credits, have produced a gross equivalent of 11.50p per share; at the current rate of taxation, such dividends would have been 7.59p per share. It is intended that interim and final dividends will be paid annually in *December and June, respectively.*

On the basis of the current rate of associated tax credit, the allocation of profits before taxation and extraordinary items would be as follows:

	£
Group profit before taxation	850,000
Less: corporation tax at the rate of 52 per cent.	442,000
Earnings after tax attributable to shareholders	408,000
Cost of annual dividends totalling 7.59p per share on 2,325,370 ordinary shares	176,500
Retained earnings	231,500

These annual dividends would be covered 2.31 times by the Group earnings after tax shown above.

On the basis of the number of ordinary shares in issue, the earnings per share would be 17.55p. Accordingly, at the placing price of 104p the price/earnings ratio would be 5.93 and assuming annual dividends which, together with the associated tax credit, would be equivalent to a gross dividend of 11.50p per share, the gross dividend yield would be 11.06 per cent.

Appendix 1

Accountants' Report

The following is a copy of a report received from Peat, Marwick, Mitchell & Co. and Dearden Farrow, joint reporting accountants.

The Directors
S. W. Farmer Group Limited
and
Samuel Montagu & Co. Limited

Peat, Marwick, Mitchell & Co.
1 Puddle Dock,
Blackfriars,
London EC4V 3PD

Dearden Farrow,
5/6 Giltspur Street,
London EC1A 9PD.
23rd November, 1977.

Gentlemen

We have examined the audited accounts of S. W. Farmer Holdings Limited ("Holdings") and of its subsidiary and associated companies, which have been prepared under the historical cost convention, adjusted for valuation of United Kingdom freehold land and buildings, for the period relevant to this report. Holdings and its subsidiaries are collectively referred to as "the Group". The results and net assets of three subsidiaries which were acquired by Holdings from the Farmer family on 31st December, 1975 in exchange for an issue of shares have been included in the summarised Group results and net assets as if these subsidiaries had been members of the Group throughout all the relevant accounting periods. The results and net assets of certain subsidiaries acquired for cash have been included from the respective dates of acquisition. Dearden Farrow and their predecessor firms have been the auditors of Holdings and all the Group companies for all the relevant periods. Accounts of the associated companies have been audited by other firms.

The summarised profit and loss accounts, balance sheets and statements of source and application of funds set out below are based on the audited accounts after making such adjustments as we considered appropriate. In our opinion these summaries, together with the notes thereon, give under the historical cost convention (so far as is practicable having regard to delays in determining the financial outcome of work done inherent to the business of a contractor) a true and fair view of the profits and source and application of funds of the Group for the periods stated and of the state of affairs of Holdings and of the Group at the dates stated.

S. W. Farmer Group Limited ("the Company") was incorporated on 26th April, 1977 and following the capital reorganisation described at the end of this report became the holding company of the Group. The Company did not undertake any transactions prior to 1st July, 1977.

No audited accounts of the Company have been prepared since incorporation and no audited accounts of Holdings nor of any of the subsidiary companies have been made up in respect of any period subsequent to 30th June, 1977.

Profit and loss accounts

		The Group					
	Note	1972 £000	1973 £000	1974 £000	1975 £000	1976 £000	Six months ended 30th June 1977 £000
Turnover	1	4,056	4,484	5,976	8,479	9,552	5,743
Operating costs	2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Operating profit (see note)		272	43	386	524	723	[illegible]
Share of profits/(losses) of associated companies		14	(3)	(3)	2	(21)	[illegible]
Profit before taxation and extraordinary items		286	40	383	526	701	500
Taxation	3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Profit after taxation		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Extraordinary items		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Profit available for appropriation		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dividends		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Profit retained		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note: The application of the accounting policy for profit taking [illegible] the deferral of profit taking [illegible] carried out in earlier years [illegible] months ended 30th June, 1977 [illegible] work on which was almost completed at the end of 1976.

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W. FARMER GROUP (Continued)

Balance sheets

	Note	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	30th June, 1977 £'000
Fixed assets	7						
Freehold property		186	176	189	215	361	996	1,085
Leasehold property		22	27	29	42	28	26	24
Plant, machinery, furniture, equipment and motor vehicles		220	243	266	289	307	404	512
		428	446	484	546	696	1,426	1,621
Leasehold redemption policy	8	20	22	23	24	26	27	27
Subsidiary companies	9	10						
Associated companies	10	70	80	77	19	24	40	48
		528	548	584	589	746	1,493	1,696
Current assets								
Work in progress less provisions		726	1,937	2,443	3,171	5,216	13,077	11,832
Less: Invoices on account		410	1,783	2,173	2,624	4,180	11,864	11,049
		316	154	270	547	1,036	1,213	783
Stock		117	118	330	435	321	418	472
Debtors		1,256	1,168	1,467	1,457	902	1,505	2,182
Bank and cash balances		—	105	3	6	419	713	509
Listed investment	11	—	—	—	—	—	—	150
Taxation recoverable		1	1	—	48	—	—	—
		1,690	1,545	2,070	2,493	2,678	3,849	4,096
Current liabilities								
Bank overdraft	12	281	142	281	124	—	—	—
Taxation		13	31	40	9	23	—	25
Creditors		747	506	937	1,167	1,152	1,951	1,707
Dividend		4	8	3	8	12	—	—
		1,045	687	1,261	1,308	1,187	1,951	1,932
Net current assets		645	858	809	1,185	1,491	1,898	2,164
Taxation due beyond one year		28	73	4	14	—	—	—
Deferred taxation	13	13	15	64	281	523	61	489
Mortgages		49	46	53	48	42	1,005	733
Minority interest		5	—	—	—	—	37	31
		95	154	121	343	565	1,103	1,253
Net tangible assets		1,078	1,252	1,272	1,431	1,672	2,288	2,607
Representing								
Share capital		319	325	325	325	325	325	325
Non-distributable reserves	14	141	138	150	109	134	489	560
Distributable reserves	14	590	752	760	988	1,203	1,466	1,714
Associated companies		28	37	37	9	10	8	8
		759	927	947	1,106	1,347	1,963	2,282
Shareholders' funds		1,078	1,252	1,272	1,431	1,672	2,288	2,607

Statements of source and application of funds

The Group

	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	Six months ended 30th June, 1977 £'000
[illegible] of funds						
[Profit] before tax and extraordinary items	286	40	383	526	701	500
[Extraordinary] items before tax	(1)	—	29	2	(10)	—
	285	40	412	528	671	500
[Adjustments] for items not involving the movement of funds:						
Depreciation	60	67	68	76	86	56
Losses/(profits) retained in associated companies	(14)	3	3	(2)	2	—
[Funds] generated from operations	331	110	483	602	759	556
[Funds] from other sources:						
Mortgage advance	—	11	—	—	—	—
	331	121	483	602	759	556
[Application] of funds						
[Dividends] paid	8	14	9	17	32	3
[Tax paid/(recovered)]	15	40	63	(23)	34	33
[Purchase] of fixed assets, less proceeds from disposals	68	106	130	225	298	215
[Purchase] of subsidiary						
Purchase price	—	—	118	—	—	—
Net current assets acquired	—	—	(146)	—	—	—
[Investment] in Firouza-Farmer	—	—	—	—	—	—
[Repayment] on mortgages	3	4	5	6	5	6
[Leasehold] redemption premiums	2	1	1	2	1	—
	96	165	181	230	370	257
	235	(44)	302	372	389	299
[Increase]/(decrease) in working capital						
[Increase]/(decrease) in stocks and work in progress	(160)	327	382	375	274	(376)
[Increase]/(decrease) in debtors	(88)	299	(10)	(555)	603	677
[Increase]/decrease in creditors excluding taxation and proposed dividends	241	(431)	(250)	15	(799)	44
[Increase] in amount due from associated companies	—	—	—	—	17	8
[Purchase] of listed investment	—	—	—	—	—	150
[Movement] in liquid funds						
Bank and cash balances—increase/(decrease)	103	(100)	3	413	294	(204)
Bank overdrafts—(increase)/decrease	139	(139)	157	124	—	—
	242	(239)	160	537	294	(204)
	235	(44)	302	372	389	299

Accounting policies

The foregoing summaries reflect the application of the following accounting policies and compliance with [Statements] of Standard Accounting Practice numbers 1-6 and 8-10 throughout the period under review.

(a) Group accounts

The consolidated profit and loss accounts, statements of source and application of funds and balance [sheets] include the accounts of Holdings and its United Kingdom subsidiaries, all of which are made up to [31st] December. The only overseas subsidiary, S. W. Farmer International Inc., incorporated in Panama on [..] September, 1976, has not yet undertaken any business in its own name and no accounts have yet been [prepared]. The Australian and Iranian associated companies make up accounts to 30th June and 20th March [respec]tively and the attributable results, which are insignificant, are reflected in the Group accounts made up to [the following] 31st December.

(b) Profits

The majority of contracts for the supply and, when applicable, the erection of fabricated steelwork are [complet]ed in less than twelve months. In these cases profit is taken only on substantial completion of the [contract] and credit is taken for final settlements only when these have been agreed with the customer. Provision [is made] for rectification, maintenance and other known contingencies including those relating to completed [contra]cts at which the plant is not fully commissioned.

In the relatively few cases where such contracts take over twelve months to execute a proportion of [profit] may be taken once the outcome can be assessed with reasonable certainty but this proportion does not [exceed] the profit earned on work completed and invoiced up to the balance sheet date.

Anticipated losses on contracts are provided in full.

(c) Turnover

Turnover represents the total amount invoiced for work done for, and goods and services supplied to, [its] customers during each period, uplifted or reduced by the net increase or decrease in work-in-progress [during] the period. Value added tax is excluded.

(d) Fixed assets and depreciation

Freehold properties

The freehold properties were valued by Donaldson & Sons, Chartered Surveyors, in 1976 and the valuation [was in]corporated into the balance sheet at 31st December, 1976. The surplus on revaluation, after providing [for de]ferred taxation, was credited to reserves. The properties were valued again by Donaldson & Sons as at [3rd Oct]ober, 1977 and this valuation has been incorporated into the balance sheet at 30th June, 1977 the [surplus] (after adjusting the provision for deferred taxation) being credited to reserves.

Depreciation for the years 1971 to 1976 was at the rate of 5 per cent. per annum on the reducing [balance] of cost of the land and buildings and for the six months ended 30th June, 1977 was at the rate [of .. per] cent. per annum on the estimated value attributed to buildings in Donaldson & Sons' 1976 valuation. [With th]e exception of a new factory to which a rate of 2 per cent. per annum was applied.

Other

All other fixed assets are stated at cost less depreciation which is provided at the following rates per [annum]:

Leasehold property	Over the period of the lease in equal instalments
Plant and machinery	15 per cent. and 20 per cent. reducing balance
Motor vehicles	25 per cent. reducing balance
Furniture and equipment	15 per cent. reducing balance

(e) Stock

Stock, which consists mainly of steel and consumable stores, is valued at cost of purchase and provision [is made] where necessary to reduce it to net realisable value being the estimated selling price less any selling [expenses].

(f) Work in progress

Work in progress is stated at the cost of materials and direct labour together with an addition related to [the] labour to cover appropriate overheads. Profits on long term contracts are added and provisions for [losses] and contingencies deducted in accordance with the policy outlined above.

[Contr]acts are retained in work-in-progress until a final invoice has been agreed with the customer.

(g) Deferred taxation

Deferred taxation represents the estimated taxation which would be payable on the disposal of fixed [assets at] the amounts at which they are included in the balance sheet comprising corporation tax on chargeable [gains on] freehold properties and taxation deferred by capital allowances, together with cumulative relief for [the in]crease in stock values, less advance corporation tax recoverable.

[Notes] on Profits

[1. Pr]ofit before taxation

[Pr]ofit before taxation is arrived at:

	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	Six months ended 30th June, 1977 £'000
After charging:						
Depreciation	60	67	68	76	86	56
Interest payable	12	10	35	16	4	3
Special pension contributions for a director of Holdings	—	—	24	24	24	17
After crediting:						
Interest receivable	2	12	9	4	84	26

Interest

Interest payable comprises mainly interest on bank overdrafts and loans repayable within five years.

[Tax]ation

	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	Six months ended 30th June 1977 £'000
[Cur]rent	77	(18)	10	1	175	532
[Def]erred	22	29	189	265	265	(283)
	99	11	199	266	390	249

[Ex]traordinary items

	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	Six months ended 30th June, 1977 £'000
[Los]s on disposal of former associated company	(1)	—	—	—	—	—
[Com]pensation relating to purchase of Leeds subsidiary	—	—	7	2	—	—
[Sha]re of profit on disposal of property by associated company	—	—	20	—	—	—
[Pre]liminary flotation costs	—	—	—	—	(30)	—
	(1)	—	27	2	(30)	—

[Div]idends

Dividends declared and paid in respect of the period under review were as follows:

	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	Six months ended 30th June, 1977 £'000
[Pre]ference dividends — Holdings	8	6	6	6	6	3
[Ord]inary dividends — Holdings	—	—	5	12	14	—
Service companies	4	3	3	3	—	—
	12	9	14	21	20	3

[Div]idends in respect of 1973 and subsequent periods were paid under the imputation system of taxation, [sha]reholders being entitled to a tax credit related to the basic rate of income tax.

The rates of dividend paid by Holdings were as follows

In respect of year ended 31st December,

	Preference per cent.	Ordinary per cent.
1972	8.0	—
1973	5.6	2.5
1974	5.6	7.5
1975	5.6	7.5
1976		
In respect of six months ended 30th June, 1977	2.8	—

[The] ordinary dividends paid in respect of 1975 and 1976 were after deducting waivers amounting to some [£..] and £2,000 respectively.

[Notes o]n balance sheets

[7. Fix]ed assets

[The] fixed assets of Holdings and of the Group at 30th June, 1977 were made up as follows:

Holdings: Cost or valuation £'000	Accumulated depreciation £'000	Net book value £'000		The Group: Cost or valuation £'000	Accumulated depreciation £'000	Net book value £'000
[..]63	57	1,106	Land and buildings	1,169	60	1,109
[..]4	2	2	Plant, machinery, furniture, equipment and motor vehicles	951	439	512
[..]57	59	1,108		2,120	499	1,621

[Lan]d and buildings comprise the following:

Holdings: Cost £'000	Valuation £'000	Total £'000		The Group: Cost £'000	Valuation £'000	Total £'000
—	1,085	1,085	Freehold	—	1,085	1,085
78	—	78	Short leasehold	84	—	84
78	1,085	1,163		84	1,085	1,169

Notes: (i) The valuation made by Donaldson & Sons, Chartered Surveyors, as at 3rd October, 1977, [is on] an existing use basis, taking account of further development potential in the case of the Leeds and [..] factory premises.

(ii) No depreciation is provided on land having a book value of £417,000.

8. Leasehold redemption policy

The policy is intended to provide funds towards the renewal or replacement of certain premises. Annual premiums of £1,507 are payable until 1984 when the policy matures. The surrender value of the policy at 30th June, 1977 was £[illegible].

9. Investment in subsidiaries

The investment in subsidiaries at 30th June, 1977 comprised:

	£'000
Shares at cost	[illegible]
Amounts due from subsidiaries	[illegible]
	1,240
Amounts due to subsidiaries	[illegible]
	1,875

10. Associated companies

The interest in associated companies at 30th June, 1977 was:

	Holdings £'000	The Group £'000
Shares at cost	14	14
Loans and amounts due less provisions	—	26
Share of accumulated profits less losses	—	8
	14	48

11. Listed investment

	The Group £'000
Listed investment at cost	150
Market value at 30th June, 1977	[illegible]

12. Borrowings

At 30th June 1977 Holdings had a bank overdraft of £225,000 and subsidiaries had bank overdrafts totalling £401,000 all of which were secured and were the subject of Group offset arrangements.

13. Deferred taxation

Deferred taxation at 30th June, 1977 comprised:

	Holdings £'000	The Group £'000
Corporation tax on:		
Surplus on revaluation of land and buildings	[illegible]	[illegible]
Stock appreciation relief	[illegible]	[illegible]
Equalisation of capital allowances and depreciation	[illegible]	[illegible]
Advance corporation tax recoverable	[illegible]	[illegible]
	[illegible]	[illegible]

14. Reserves

The movements on the Group reserves were as follows:

[illegible]

Profit retained for the years ended 31st December, 1972 to 1975 includes profits of the three subsidiaries acquired by Holdings from the Farmer family on 31st December, 1975 which have been eliminated from distributable reserves in the Group balance sheets.

15. Capital expenditure

Capital expenditure authorised at 30th June, 1977 by the Group amounted to £55,000 (Holdings nil) none of which had been contracted.

16. Lease commitments

A subsidiary company has commitments to pay rentals under leases of plant totalling approximately £180,000 extending for up to five years from 30th June, 1977. The maximum commitment in any one year is £60,000 payable in 1978.

17. Contingent liabilities

At 30th June, 1977 the Group had contingent liabilities in respect of indemnities given by Holdings and its subsidiaries in relation to sales and other contracts amounting to £[illegible]. Holdings had given an unlimited guarantee of the bank overdrafts of subsidiary companies which at 30th June 1977 amounted to £401,000.

18. Pension scheme

The S. W. Farmer Group Pension Fund is an insured scheme, the solvency of which is not guaranteed by Holdings. An actuarial review of the fund at 1st August, 1977 has indicated that its assets were sufficient to fund the members' vested entitlements at that date.

There are certain ex gratia and committed pension and benefit obligations which are not funded and which in the forthcoming year are estimated to amount to £7,000.

Subsequent Group reorganisation

On 23rd November, 1977 the authorised share capital of the Company was increased from £100 to £232,537 comprising 930,148 ordinary shares of 25p each. On the same date 930,148 ordinary shares of 25p each in the Company were allotted as fully paid in exchange for the entire issued preference and ordinary share capital of Holdings and [illegible] a dividend of £600,000 was declared and paid by Holdings to the Company. Conditional resolutions were passed to increase the authorised share capital of the Company to £750,000 comprising 3,000,000 ordinary shares of 25p each [illegible] to capitalise the sum of £349,805.50 and apply it in paying up in full a total of 1,399,222 ordinary shares of 25p each to be issued credited as fully paid to shareholders on the basis of three new shares for every two shares then held. Assuming this capital reorganisation becomes unconditional but disregarding the results of trading and other changes since 30th June, 1977, the summarised pro-forma balance sheet of the Company and its subsidiaries would be as follows:

The Company £'000		The Company and its subsidiaries £'000
233	Shares in subsidiaries	
600	Amounts due by subsidiaries	
	Net tangible assets	2,607
833		2,607
	Representing:	
581	Ordinary shares of 25p each	581
252	Non-distributable reserves	804
	Other reserves	1,222
833		2,607

Earnings per ordinary share

The earnings per ordinary share calculated by reference to the profits after taxation but before extraordinary items of the Group as set out above and to 2,329,370 ordinary shares of 25p each of the Company which will be in issue immediately following the reorganisation referred to above are as follows:

	1972	1973	1974	1975	1976	Six months ended 30th June, 1977
Pence per ordinary share	8.0	1.3	7.9	11.2	13.4	10.8

Yours faithfully,
Peat, Marwick, Mitchell & Co.
Chartered Accountants

Appendix II

Group properties

Details of properties owned by the Group as extracted from the report of Donaldson & Sons, Chartered Surveyors, are set out below:

Property	Description	Approximate site area in acres	Approximate area of buildings square feet	Value as at 3rd October, 1977 (£'000)
(i) Valued on the basis of existing use				
Courthill Road, Lewisham, London SE13 6HD	A freehold three storey office building, a range of industrial buildings and an open yard.	1.4	Offices 13,920 Other 34,940	490
Mercy Terrace, Ladywell, London SE13 7UX	A freehold range of single storey inter-communicating industrial buildings and a storage yard.	0.55	12,840	70
Silwood Street, Bermondsey, London SE16 2SY	A leasehold property close to Surrey Commercial Docks. The buildings consist of four detached single storey industrial buildings and a number of storage, machinery and office buildings. The lease expires on 14th September, 1988 and carries a rent of £799 per annum.	8.4	Offices 1,050 Other 73,170	no value (note 1)
(ii) Valued on the basis of existing use and further development potential (note 2)				
Cross Green Industrial Estate, Cross Green, Leeds LS9 0SE	A freehold property recently developed by the Group now comprising a large fabrication workshop and attached stores and offices.	6	Offices 4,450 Other 15,570	360
Faverdale Industrial Estate, Faverdale, Darlington, County Durham, DL3 0PX	A freehold property consisting of a large engineering workshop together with a number of smaller buildings.	8.4	43,360	165

(iii) Other

The Group also occupies eight other properties. All of these were considered by Donaldson & Sons for valuation at 3rd October, 1977 but only two were attributed any value. [illegible]

Notes:

1. No value has been set upon the Silwood Street property because of potential difficulties over any assignment of the lease [illegible].

2. The development potential [illegible].

Appendix III

Profit forecast

The directors' forecast of Group profit before taxation and extraordinary items for the year ending 31st December, 1977 set out above, has been based upon the audited accounts for the six months ended 30th June, 1977, management accounts for July and August, 1977, and so far as the remainder of the year is concerned, upon the principal assumptions listed below. Copies of the letters from the joint reporting accountants, Dearden Farrow and Peat, Marwick, Mitchell & Co., and from Samuel Montagu & Co. Limited relating to the profit forecast are also set out below.

1. Assumptions

[illegible]

2. Letters

(a) From the joint reporting accountants.

[illegible]

(b) From Samuel Montagu & Co. Limited.

[illegible]

Yours faithfully,
for SAMUEL MONTAGU & CO. LIMITED,
David Hobson,
Director.

Appendix IV

Statutory and general information

1. Share capital

(i) The Company was incorporated in England under the Companies Acts 1948 to 1976 as a private company with the name [illegible] on [..] April 1977 with an authorised share capital of £100 divided into 100 ordinary shares of £1 each, of which only two 2 subscribers' shares were issued. The Company changed its [name] [illegible].

At [illegible] general meeting held on 23rd November 1977 [illegible] sub-division of each ordinary share of £1 in the Company into four ordinary shares of 25p each ranking pari passu and (ii) increased the authorised share capital from £100 to £232,537 by the creation of 929,748 ordinary shares of 25p each with a view to the acquisition of the whole of the issued share capital of Holdings. Immediately following this meeting, a total of 930,148 ordinary shares of 25p each of the Company (including the subscribers' shares) were allotted, credited as fully paid, to the holders of the whole of the issued share capital of Holdings as consideration for the purchase of their shares pursuant to the contract referred to in paragraph 5(vii) below.

At a further extraordinary general meeting held on the same day resolutions were passed conditionally on the Council of The Stock Exchange granting listing on or before 30th November, 1977 for the whole of the share capital of the Company then issued and to be issued (i) to adopt new Articles of Association thereby converting the Company into a public company; (ii) to increase the authorised share capital from £232,537 to £750,000 by the creation of 2,069,852 ordinary shares of 25p each and (iii) to capitalise £349,805.50 of the Company's reserves and apply it in paying up in full a total of 1,399,222 ordinary shares of 25p each to be issued credited as fully paid to shareholders on the basis of three new shares for every two shares then held.

(ii) No material issue of shares [illegible] will be made without the prior approval of the Company in general meeting.

(iii) No issue of shares will be made which would effectively alter the control of the Company or the nature of its business without prior approval of the Company in general meeting.

(iv) Save as disclosed herein and save for the issues within the Group of shares in subsidiaries during the two years immediately preceding the date of this document:

(a) no share or loan capital of the Company or any of its subsidiaries has been issued for cash or for a consideration other than cash and no such capital is now proposed to be issued;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company or its subsidiaries in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

(c) there have been no other changes in the issued capitals of the Company or any of its subsidiaries.

(v) No capital of the Company or any of its subsidiaries is under option or agreed to be put under option to third parties.

2. The subsidiaries

The Company has the following subsidiaries, all of which are wholly owned private companies incorporated in England, except S. W. Farmer International Inc. which is incorporated in Panama:

[illegible]

Note: S. W. Farmer International Inc. was incorporated with an authorised capital of 500 shares of no par value of which are to be issued to the Company [illegible].

(b) On 25th October, 1977, prior to the Group reorganisation referred to above, Holdings paid an aggregate interim dividend of £76,834.

3. Contract with Samuel Montagu & Co. Limited

Under a contract set out below, Samuel Montagu & Co. Limited ("Samuel Montagu") has agreed, subject to the whole of the issued share capital of the Company being admitted to the Official List by the Council of The Stock Exchange not later than 30th November, 1977, (i) to purchase from various members of the Farmer family, from associated trusts and from various Group directors a total of 782,909 ordinary shares of 25p each, being approximately 34 per cent. of the issued share capital, at 104p per share [illegible].

4. Articles of Association

The Articles of Association of the Company contain provisions (inter alia) to the following effect:

[illegible]

(vi) There is no age limit for the retirement of directors.

5. Material contracts

The following contracts have been entered into by the Company or its subsidiaries, otherwise than in the ordinary course of business, during the two years preceding the date of this document and are, or may be, material:

[illegible]

(v) Dated 14th November 1977 between (1) Holdings and (2) Hargreaves Properties (Portslade) Limited, by which Holdings has agreed to sell certain premises at Mercy Terrace, Ladywell for a cash consideration of £37,500.

(vi) Dated 17th November 1977 being contracts between (1) Thomas Meadows International Limited and Henlys Limited respectively and (2) the Company, by which the Company has agreed to purchase the leasehold interests in premises at Paston Road, Northenden, Manchester for the total cash consideration of £78,500.

(vii) Dated 23rd November, 1977 between (1) the shareholders of Holdings (including all the directors of the Company) and (2) the Company, by which the Company purchased the whole of the issued share capital of Holdings in consideration of the issue and allotment credited as fully paid of a total of 930,148 ordinary shares of 25p each in the Company.

(viii) Dated 23rd November, 1977 between (1) the shareholders of the Company, (2) the directors of the Company and (3) Samuel Montagu, being the contract referred to in paragraph 3 above.

6. Directors' and other interests

(i) Immediately following the completion of this placing, the directors and their immediate families will be interested in 954,841 shares of the Company representing approximately 41.1 per cent. of the issued share capital as specified below:

Director	Ordinary shares: Beneficial	Non-beneficial
S. E. A. Farmer	74,890	—
B. D. Farmer	318,206	245
A. W. M. Farmer	337,687	—
K. Scholfield	6,500	—
C. R. C. Rhodes	6,500	—
B. J. Prichard	3,250	306,021*

*This figure includes 99,458 also specified under "Beneficial".

(ii) Immediately following the completion of this placing, in addition to certain of the directors whose holdings are shown above, the following shareholders will hold shares representing more than 5 per cent. of the issued share capital of the Company as follows:

Holder	Shareholding (per cent.)
Mrs. S. M. Fitzmaurice	175,230 (7.5)
Mrs. C. D. Caddy	137,250 (5.9)
Messrs. C. E. C. Cooke and T. B. Simmons as trustees	120,000 (5.2)
Messrs. T. B. Simmons and C. E. C. Cooke as trustees	120,000 (5.2)
Messrs. H. J. Jones, R. G. Cooke and C. R. K. Mace as trustees	153,100 (6.6)

Save as aforesaid, the directors are not aware of any holding which, immediately following the completion of this placing, will represent 5 per cent. or more of the issued share capital of the Company.

(iii) On 23rd November, 1977 each of the executive directors of the Company (other than S. E. A. Farmer) entered into a full time service agreement with the Company until the age of 65, subject to 36 months notice of termination by the Company and to 12 months notice by the director, and on the following terms as to commencing annual salary and commission on profits on the basis set out above:

Director	Salary	Commission
B. D. Farmer	£20,000	0.3 per cent.
A. W. M. Farmer	£16,000	0.6 per cent.
K. Scholfield	£16,000	0.6 per cent.
C. R. C. Rhodes	£14,500	0.6 per cent.

On B. D. Farmer becoming chairman of the Company on 1st January, 1978, his commission entitlement is 1.0 per cent.

(iv) The aggregate emoluments of the directors of the Company, including pension contributions, amounted to £121,951 for the year ended 31st December 1976. On the basis of the profits forecast for the year ending 31st December 1977 it is estimated that the emoluments, including pension contributions, payable to the directors for the year would be £148,856.

(v) Save as disclosed herein, no contract of significance as defined for the purposes of the Regulations of The Stock Exchange has been entered into by any director during the two years immediately preceding the date of this document nor is any such contract now subsisting.

(vi) Save as disclosed herein, no director of the Company has any interest, direct or indirect, in any material asset which has, within the two years immediately preceding the date of this document, been or is proposed to be acquired, disposed of by or leased to the Company or any of its subsidiaries and no director of the Company has a material interest in any contract or arrangement entered into by the Company or any of its subsidiaries which is significant in relation to the business of the Company and its subsidiaries taken as a whole.

(vii) Mr. B. J. Prichard is a partner of Rooks, Rider & Co., which will receive a fee in connection with the placing.

(viii) A partner in Dearden Farrow is a trustee of two Farmer family trusts which hold shares in the Company some of which are being sold pursuant to the contract referred to in paragraph 3 above.

7. General information

(i) Shortfall and apportionment clearances have been obtained for all relevant periods to 31st December, 1976. Under the contract referred to in paragraph 3 above certain of the vendors named therein have agreed to indemnify the Company in respect of any depletion of the Group's assets by reason of certain liabilities for taxation, capital transfer tax and estate duty. Clearance under section 464 of the Income and Corporation Taxes Act 1970 has been obtained in respect of the Company's purchase of Holdings and in connection with this placing.

(ii) The directors have been advised that following this placing the Company will not be a close company.

(iii) So far as the directors of the Company are aware, there is no material litigation nor are there any claims of material importance pending or threatened against the Company or any of its subsidiaries.

(iv) The total expenses payable in respect of the placing (excluding preliminary expenses amounting to £29,600 which were written off in the accounts for the year ended 31st December, 1976) are estimated to be £90,000 and are payable by the Company.

(v) Dearden Farrow and Peat, Marwick, Mitchell & Co. have given, and not withdrawn, their respective written consents to the issue of this document with the inclusion therein of their report, letter and names in the form and context in which they appear.

(vi) Donaldson & Sons, chartered surveyors, have given, and not withdrawn, their written consent to the issue of this document with the inclusion therein of references to their valuation and name in the form and context in which they appear.

(vii) Samuel Montagu has given, and not withdrawn, its written consent to the issue of this document with the inclusion therein of its letter and name in the form and context in which they appear.

(viii) The amount of consideration received or to be received by the Company in respect of the ordinary shares now being placed is nil.

8. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Clifford-Turner, Blackfriars House, 19 New Bridge Street, London EC4V 6BY, during usual business hours on weekdays (Saturdays and public holidays excepted) for the period of fourteen days from the date of this document:

(i) the Memorandum and Articles of Association of the Company;

(ii) the audited consolidated accounts of Holdings for the two financial years ended 31st December, 1976 and the six months ended 30th June 1977;

(iii) the joint accountants' report and statement of adjustments;

(iv) the valuation by Donaldson & Sons of the Group's freehold and leasehold premises as at 3rd October, 1977;

(v) the material contracts referred to above;

(vi) the service contracts referred to above;

(vii) the letters from Dearden Farrow and Peat, Marwick, Mitchell & Co. and from Samuel Montagu set out in appendix III above; and

(viii) the written consents of Dearden Farrow, of Peat, Marwick, Mitchell & Co., of Donaldson & Sons and of Samuel Montagu referred to above.

Dated 23rd November, 1977.

Copies of this document may be obtained from:

Samuel Montagu & Co. Limited,

114 Old Broad Street, London EC2P 2HY

Phoenix House, 1/3 Newhall Street, Birmingham B3 3NH

First Floor, St. Ann's House, St. Ann's Place, Manchester M2 7LP

and from:

Fielding, Newson-Smith & Co.,
Garrard House,
31 Gresham Street,
London EC2V 7DX

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● SAFETY

Cuts crane accidents

ACCORDING to Crane Aid Services of Sutton Coldfield, collisions of cranes with each other or with fixed objects are on the increase and are resulting in hundreds of thousands of pounds of losses in many industries.

To overcome the problem the company has designed and is now manufacturing a unit called Castop which, connected to the electrical system, can cut the supply or apply a brake if the crane tries to enter any predetermined prohibited zone.

An infra-red beam projector is co-sited with a receiver on the crane to provide a beam at any desired angle to the track of the crane. On the other crane (or on a fixed obstruction) a reflector is placed, suitably displaced from the track line. As the crane approaches, this beam will eventually strike the reflector, the receiver will be energised and the crane immediately stopped. A receiver can also be placed on a second crane on the same track so that it too can be stopped without any electrical connection between the two.

More from Belwell Lane, Sutton Coldfield, West Midlands B74 4TR 021 308 7101.

● INSTRUMENTS

Sees colour values

OFFERED by Pye Unicam is a colour measuring system based on the company's SP8-100 spectrophotometer which is able to give accurate and reproducible results in conjunction with a programmable calculator connected on-line.

An adaptable software package has been developed and the system enables materials to be studied in transmission or by diffuse or total reflection. There is a choice of standard illuminants and observation angles.

Geometry of the integrating spheroid used ensures that there is no direct optical path between any patch of specularly reflected light and the photomultiplier—a feature contributing considerably to the averaging effect and hence the accuracy.

Samples up to 160 x 170 mm. can be mounted in both beams of the instrument, making it suitable for handling the standard panels often used in the surface coatings industry, for example. Colour values can be printed out in the Anlab (40) or CIE conventions.

More from York Street, Cambridge CB1 2PX (0223 58866).

● AUTOMATION

Control of deliveries

DESIGNED primarily to allow *automated delivery of flour to* storage, but adaptable for secure automatic deliveries in practically any industry, is a remote control method devised by Castell Locks.

Delivery drivers arrive at a standard weighbridge and the load weight is recorded at a central point. The driver is told which silo will accept his load and then removes a coded key from the key bank at the reception point.

Removing the key activates a light on a panel at the central control. In the meantime, the driver takes the load to the silo and uses the key to open the load tube end cap prior to feed*ing in his load. It is not pos*sible to free the trapped key if the cap is not properly opened.

The key is returned to the weighbridge and the vehicle weighed to check full discharge. If this is correct, the key goes back into the bank and the control room silo light is extinguished.

Central control operates the exit barrier and the driver can leave.

This system has a very high degree of security which is generally difficult to achieve with large movements of bulk goods.

Castell Locks, Kingsbury Road, London NW9 8UU. 01-205 0055.

● COMMUNICATIONS

Practical fibre phone

RECENTLY made available by Belling-Lee is one of the few practical private telephone links making use of optical fibre lines instead of the normal copper cable.

Applications will occur where no electrical conducting path is possible between the two instruments—probably for safety reasons—or where resistance to induced interference or security of transmission are important. Likely locations would be on board ship, in power stations, in petrochemical plants or in mines.

The system consists of two telephone units, two Fibretran transmitter-receiver modules the fibre link, which can be supplied to customer requirements in lengths up to 100m.

● PROCESSING

Ore treatment costs reduced

OFFERING a considerable reduction in the charges for handling large amounts of effluents from coal and ore processing streams, a U.K.-developed process is being offered world-wide by Allied Colloids and the National Coal Board who have just signed a licensing agreement with Joy Manufacturing Company of Pittsburgh (U.S.) to exploit the method in all countries.

For ten years, the NCB's Bretby mining research and development station has been working on the equipment which relies on high molecular weight chemicals called polyelectrolytes and made by Allied to achieve its effects.

Increasingly, minerals processors are facing the problem of dealing with large quantities of waste waters which carry heavy burdens of clay particles, chemicals and other waste materials which cannot just be disposed of into the local sewers or rivers.

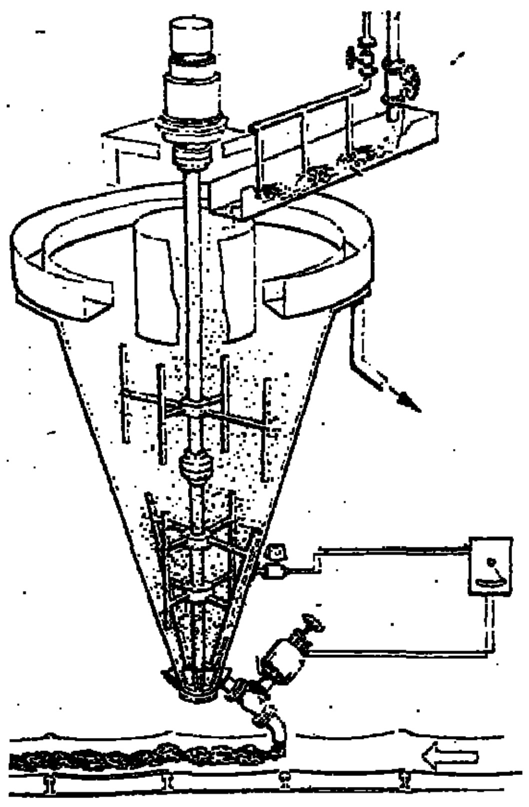
The NCB idea is embodied in the deep cone thickener, a diagram of which is shown. This machine operates automatically, and is not complicated, while control and maintenance could hardly be simpler.

In the process, on which Allied holds patents rights, liquid mining effluent is run into a cone, which is a tank some four metres across. Very small amounts of the chemical are added and the mass of contaminated water is agitated. This is followed by a settlement period during which the impurities reject water, and compact themselves at the bottom of the cone from which they are simply squeezed out like toothpaste on to a conveyor.

At the same time, the cleaned water is recycled to process.

The partners report that installation of the cones requires modest capital outlay and that energy consumption is minimal, while a single operator is able to control five or more of them. Each cone is capable of treating 120 cubic metres of effluent per hour, producing cleaned water and some four tons of solids. Only 300 grammes of chemical are required for each batch.

The marketing agreement will be backed by the extensive research and development facilities at the NCB, which stresses that the process is applicable throughout ore treatment and not



just in coal mining. Allied is contributing its expertise in the special chemicals used and the process in which they operate and Joy will be building the equipment to NCB specifications.

The three partners will continue the development of the methods.

Joy Process Equipment, Denver Equipment Division, Church Street, Epsom. 78 27661. Allied on 0274 671 267. NCB Chief Coal Preparation Officer on 0283 216161.

● DATA PROCESSING

Micro cost plummets

FOR APPLICATIONS that are not too ambitious, Intel can offer a single chip microprocessor for £1.65 in OEM quantities—a mere 43 per cent. of the price of the company's previous lowest cost product, the 8048.

The new circuit, designated 8021, is an eight-bit device with 64 bytes of read/write memory, 1,024 bytes of program store, 21 input/output lines, a programmable interval/event counter and an on-chip clock and oscillator.

Except where high timing *accuracy is needed,* the clock can function with a simple resistance-capacitance addition. It can be employed to provide the time of day in addition to system timing and, where timing is crucial it is easily synchronised with an external crystal.

Intel intends to tackle the low cost, low end of the market in such applications as home appliances, test and measuring instruments, motor cars, sensing and reading, telecommunications and other control systems.

The 8021 will operate off a noisy dc supply in the range 4.5 to 6.5 volts, obviating the need for expensive power supplies. Programs are stored in masked read-only memory as part of the chip manufacturing process, greatly reducing cost in high-volume production. The programs themselves are developed with electrically programmable ROM to expedite development and avoid the repetitive mask changes and turn-round delays that can occur in other ROM-based control devices.

Low cost of the 8021 is in the main due to the small die—about half the size of existing single chip eight-bit devices—and a 28-pin package rather than 40.

For design development and prototyping of products to be based on the 8021, Intel is offering the EMB 21 emulator board which contains the earlier 8048 with EPROM together with the discrete logic needed to emulate the additional input/output facilities of the new 8021.

More from Intel on 0865 771431.

Single card machine

A FURTHER low-cost single-card microcomputer based on the Intel 8085 processor has been introduced to the market by Microsystem Services, of High Wycombe.

The board measures only 200 x 100 mm. and provides up to 4,000 bytes of program memory, 256 bytes of read/write store, 38 parallel and two serial input-output lines.

An additional 8,000 bytes of program memory can be added externally without the need for additional address decoders or bus drivers—a 100-way edge connector is employed.

Known as the MS-85, the new computer offers the user a number of program memory device options, depending on the task to be performed. Operation is from a single 5 volt supply and all the internal control signals are brought out to the edge connector to facilitate system expansion.

More from Duke Street, High Wycombe, Bucks. (0494 22525).

● HEATING

Multi-fuel boiler

DESIGNED IN Denmark by HS Kedelfabrik, of Tarm, is a range of hot water and central heating boilers that can be quickly converted to burn different types of fuel.

There are four sizes, giving outputs up to 140,000 Btu/hr. Of welded steel construction, with a water cooled base, the basic boiler can be lifted with an oil or gas burner, but by adding cast iron doors and grids, and ash pan and damper control, the unit can be converted to solid fuel firing.

Alternatively, if it was originally commissioned for solid fuel firing, an oil or gas burner plate can replace the lower door of the boiler. Where a range of fuels are to be used, the boiler can be fitted with double doors on the lower opening—one hinging to the left carrying the oil/gas burner, while the right hand door has a damper and is used when the boiler is on solid fuel. Conversion from one fuel to another is stated to take about an hour.

The boilers are built (under agreement) in the U.K. by R. Tomlinson (Boilers), Lotherton Way, Aberford Road Trading Estate, Garforth, Leeds. (0532 861122).

● SOFTWARE

Conversion specialists

FOUR YEARS old Systemsolve has passed the £1m. mark, mainly in offering software and systems support for first-time users of ICL machines, and is now set towards £1m. which it expects to achieve in 1978.

Forty per cent. owned by BOC Datasolve, this company is providing what are virtually turnkey services so that a first-time user will, at the end of the day, have a fully operational machine carrying the applications programs he requires and with own staff trained to continue to run the computer.

Machines supported include 2903, 2903/20, 2904, System 10 and the 1500 and the company is looking at conversion between Singer installations and ICL machines where a customer needs to grow.

Systemsolve has made a considerable impact with its work on conversion from IBM System 3 to the 2903 and one of the secrets of its success is the fact that it has two of the latter machines in its own bureau so that all development for a client can be extensively tested and shown to run before it is transferred to the user site.

The company has expanded its activities recently by opening up in Manchester.

More from Systemsolve Computer Services, Sunbury 80333.

● COMPONENTS

Hydraulic motor venture

NOW IN full production are the first two units in a range of five hydraulic motors to be marketed by the Renold Group. Two more will be available by March next year, and introduction of the largest motor is planned for 1979.

Making hydraulic motors is a *new venture for the group,* which is well known in industry for its power transmission products, particularly drive chains. The group made the decision to broaden its hydraulic interests some years ago, and concluded that establishing its own design of hydraulic motors, and building a production line, offered the best entry into the field.

Initial production started last year at Renold's Carter Hydraulic works, in Bradford, Yorks., which already makes variable speed hydrostatic drives.

These six-piston motors have an overall efficiency in optimum conditions of around 95 per cent. Losses in power transmission, etc., according to the maker, are about half those of the nearest comparable machines of the same price and rating.

This substantial increase in efficiency makes the Renold hydraulic motors highly competitive, in both the shaft motor and wheel motor formats, since it means that either a smaller unit can be employed, or a greater output achieved.

All the motors in the range operate at a peak pressure of 5,000 psi, or continuous pressure of 3,000 psi. The first two motors *offered have a rating of* 30 and 50 kW, maximum rpm of 600 and 500, and capacities of 0.28 and 0.56 litres. The motors available next year will be rated at 20 and 80 kW, with maximum rpm of 750 and 400, and capacities of 0.15 and 1.3 litres.

The two-litre motor, to be introduced in 1979, will be rated at 100 kW with a maximum speed of 300 rpm. The kW ratings given are, of course, peak outputs, and do not represent continuous ratings—it is essential for the maker to know the duty cycle to recommend the correct size of motor.

Applications range throughout industry, wherever low speed and high torque is required. The motors provide a compact means of transmitting power from a prime mover, such as a diesel engine, without the need for a gearbox.

Details from Renold, Wythenshawe, Manchester, M22 5WL (061-437 5221).

CONTRACT AND TENDERS

uilding and Civil Engineering

Middle East water projects

T PHASE of a £25m. water distribution system designed by alfour and Sons for the ment of Abu Dhabi is to be undertaken by an American rtium, Harbert Howard. water supply scheme will about 360 km of ductile pipe with diameters up to m and 140 km of polythene ctions. Water, initially local boreholes, will later augmented by desalinated water. Balfour says a second contract involving service reservoirs and pumping stations will be let shortly.

Balfour has also designed the main drainage scheme for Al Ain, Abu Dhabi and the Abu Dhabi Government has now awarded the contract, worth £8m., to Contractors Algedimp, a locally based consortium.

About 35 km. of vitrified clay-ware gravity sewer, including 11 km of 600mm pipe and associated pumping stations will be needed.

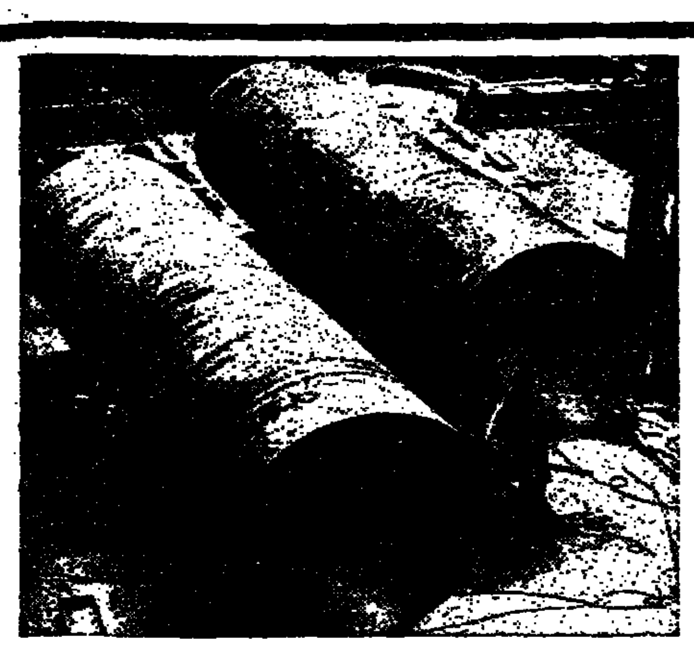
The contract, due for completion in November 1978, is the first of a series of main drainage schemes which will eventually provide the city with a complete drainage network and also treat the effluent to make it suitable for agricultural use.

Housing jobs in London

FOUR London contracts, together valued at almost £900,000, have been awarded to Corrall Construction (Powell Duffryn Group).

Nine houses are being converted to 18 maisonettes in South Lambeth Road for the London Borough of Lambeth on a contract worth £307,804 while modernisation of eight houses is being carried out for the London Borough of Harringay on a 30-week contract worth £151,079.

Nine houses are being converted into 45 flats for the United Kingdom Housing Association at Munden Street, Hammersmith, on a 52-week contract worth £237,051 and in a contract worth £180,907 Corrall is to convert six houses into 15 flats and modernise two others for the New Islington and Hackney Housing Association at Walford Road, N16.



These 2.6 metre diameter pipes are part of a £1¼m. sub-contract won by Robert Watson and Company from Edmund Nuttall main contractor for the Wyresdale tunnel which will form part of a big water supply project in Lancashire. The pipes are being fabricated from 22.5mm thick steel plate and will form a 1.2km long pipeline parts of which will line the ends of a 6.6km long tunnel.

m. rail work at Gatwick

NSTRUCTION of rail facilities at Gatwick station to cope ately with the increase in nd for transport with the sion of the airport and ularly the success of Sky-is involving British Rail ork which will take some to four years to complete.

Track remodelling, the widening of a third platform and very extensive resignalling, which entails the movement of the Gatwick box down to Three Bridges, comprise the major part of the £5m. to £6m. job, much of which will in fact be carried out by BR services.

Wimpey to extract the anthracite

EXTRACTION OF an estimated 950,000 tons of first quality anthracite is expected under a contract awarded by the Opencast Executive of the National Coal Board to George Wimpey and Co. It is a 467 acres extension of the Maesgwyn site which the company has been working since 1946, and will require work to a maximum depth of 80 metres.

Work will include removal of a considerable mass of overburden from the original workings, and after extraction of the coal at the deeper levels, a total restoration of the extended site to grazing and agricultural usage.

In a totally different sphere, Al Futtaim Wimpey (Pte), an associate company of George Wimpey, has been awarded a contract worth almost £1.5m. for road construction for the municipality of Dubai in the United Arab Emirates. The contract is for about 10 km. of single carriageway asphalt roads, with completion due by the end of June, 1978.

reparing the site

LIMINARY work in connection with the £1.6m. redevelopment of premises in King Street, ing, Berks., for Barclays has been started by ope and Colls. It is understood that negotiations for the contract have not yet been leted. sent work involves the ng of facades which are to retained in Buttermarket, Market Place and High Street, underpinning of existing basement walls and demolition of remaining floors, but leaving the bank to continue in operation.

Subsequent development will link four floors of office accommodation to the bank. Architects and services consultants are Robert Matthew, Johnson-Marshall and Partners.

£1.4m. rail bridge

CONSTRUCTION of a railway bridge between Selling and Canterbury East in Kent is to be undertaken by John Howard and Co. under a £1.45m. contract.

A prestressed concrete bridge with a central portal frame is called for. Cased piled foundations will be constructed within sheet piled cofferdams and the complete bridge superstructure will be built alongside the railway embankment.

When completed, the entire structure will be slid into position on the foundations.

Monk wins £6.9m. trunk road contract

CONSTRUCTION OF 6.26 km. of the London-Holyhead trunk road (A5) between Bradwell Abbey and Old Stretford to form a spine road for Milton Keynes is to be started in a few weeks by A. Monk. The contract is worth over £6.9m.

It will be a dual carriageway, two lane road with restricted access and will involve 1.78 km. of side road alterations and 2.88 km. of slip road plus a roundabout.

Also needed will be nine underbridges, including a nine-span river viaduct, five overbridges, a timber footbridge, and diversion of the River Ouse.

Earthworks in the project will involve about 687,000 cubic metres of excavation and 585,000 cubic metres of fill. The road is expected to be opened for traffic towards the end of 1979.

npervious coatings

ORDER to avoid problems of corrosion caused by atmospheric and chemical attack, the ait Oil and Gas Company is ifying that electrical cable ort systems should be pre-ed and coated with epoxy der applied electrostatically Mallatite Plastics, of Haigh ne, Stockport, Cheshire.

his support systems used in plant which, when comd, will convert oil to gas, be continually exposed to elements. The previous anti-osion protection consisted of wo pack epoxy system coning a catalyst and hardener, h personnel applied to the e support systems on site.

he Kuwait Company decided it could make savings in s and labour and ensure a er finish if the metal was treated prior to erection and nd Mallatite Plastics to elop techniques to apply a ably thick coating electro-tically.

special grade of epoxy der is applied to a thickness of between 6-8 mils and Mallatite has also developed remedial touch up kits for any on-site work that might be needed after construction.

£4m. awards to Balfour Beatty

OVER £4m. worth of contracts have just been won by Balfour Beatty Construction.

The largest, valued at £1.6m. and awarded by the City of Southampton, is for road and bridge works.

Other contracts are for the Anglia Water Authority for sea defence work at Cleethorpes (£1.1m.), for BICC Metals for civil works at Prescot, Merseyside (£800,000) and for the Severn Trent Water Authority for a pumping station and river works at West Stockwith, Nottingham (£600,000).

Two awards to Laing

THE Industrial Engineering Division of John Laing Construction has been awarded a two-year contract to carry out work worth about £2m. at Shell Chemicals (U.K.) Carrington works at Urmston, Manchester.

The work is part of a big programme to increase feedstock flexibility of one of the two lower olefins plants at Carrington. At present the plant produces ethylene, propylene and other chemical intermediaries by the cracking of naphtha. When alterations are completed it will also be possible to make these products by cracking gas oil.

Laing's contract includes plant erection with much of the pipework being prefabricated at the company's engineering and construction facility at Heywood, Lancs.

Further south at Milton Keynes, Laing is to carry out a £1¼m. contract for houses and flats designed by Derek Walker Associates. Work has just begun and is due for completion in the late spring of 1979.

Laing is also under way with a £¾m. contract for outside finishing work for the nearly half-mile long shopping building now under construction in Milton Keynes.

£1½m. for Fairclough

CONTRACTS worth £1.5m. for new hospital operating theatres in Manchester, housing modernisation at Stockton-on-Tees, and a combat training school at RAF Catterick, have been won by Fairclough Construction Group.

Four operating theatres at Park Hospital, Davyhulme, Manchester, are to be built under a 104-week contract for the North Western Regional Health Authority. Work has just started on the £800,000 scheme. The architect is Roger G. Brown, regional architect, North Western Regional Health Authority, and consulting engineers are Dennis Mathews and Partners.

Nearly 90 homes on the Eastbourne Estate, Stockton-on-Tees, are to be modernised under a £460,000 contract for Stockton Borough Council by Fairclough while at RAF Catterick, a traditional single storey and part two-storey "L" shaped block with roads, car park and services is to be built under a £250,000 award.

Sea defence at Sandown

WORK HAS commenced on a two-year contract for the Sandown Bay sea defence scheme in the Isle of Wight worth £1m. The award was placed with Tilbury Construction by the South Wight Borough Council.

Apart from extensive work on the Yaverland and Lake sea walls, work will include construction of 17 hardwood groynes and modification of seven blockwork groynes to create a sandy beach in the bay. Consulting engineers are Lewis and Duvivier.

Holst group hits £3½m. in six jobs

NORWEST Holst and its associates Paterson Candy Holst and F.C. Precast Concrete have won a variety of jobs worth more than £3½m. in toto.

Pride of place goes to the £1.6m. contract to design and construct for the North West Water Authority a major extension to existing waterworks at Turton Bottoms, Bolton, Lancs. Paterson Candy will do the mechanical and electrical work and Holst the civil work. This contract should be completed by July 1979.

ICI's Billingham Agricultural Division is to have a new prill tower some 60 metres high and costing just under £470,000. Construction will be a lengthy business with final completion scheduled for January 1979. The main shaft and the rectangular service section will be constructed by slip-forming.

For the Yorkshire Water Authority, the company is to build the Deerhill, Meltham reservoir. This is a £392,000 job which specifies an enclosed reinforced concrete structure.

BSC, meanwhile, has placed a job for the renewal of the foundations of the cast house floor at the Queen Victoria blast furnace, Appleby Frodingham works. This is a £350,000 contract.

F.C. Precast Concrete's £744,000 awards include a major job worth £525,000 under which it will erect structural building frames for shop units and a car park for Miller Construction of Wakefield.

There is also over £100,000 worth of work for North West Water Authority covering the construction of the roof for a large reservoir at Liverpool.

Fast melt of snow

WITH WINTER approaching, it is time to think of combating ice and snow. A product from Vitopan, "Ice-Foe," works all the way down to 59 degrees below zero.

Ice-Foe changes from white to pink to show that it is working.

It is claimed to melt at least eight times more ice than rock salt in the first 30 minutes at 20 degrees F (−7 degrees C.). Uniform particles spread easily for total coverage. It should be applied sparingly, as a little goes a long way. It is available in sturdy, compact, 100-pound drums with plastic innerliners to preserve product power.

Ice-Foe can be used on walks, driveways, steps, car parks—as well as loading platforms, railway switches and sewers, indeed, wherever ice accumulates. It dissolves completely without a trace, leaving no chalky or messy residue.

When used as directed, Ice-Foe will not damage sidewalks, roads, tyres or car finishes, nor will it discolour boots, shoes or carpeting. It penetrates through the ice making the ice bond and assuring easy removal and prevents melted ice from re-freezing, eliminating the formation of hazardous water film.

Vitopan, on 01720 6411.

Conversion work

WATES Special Works has won contracts worth over £1.5m. from three London boroughs for the modernisation and conversion of houses and flats in London.

The largest, from the London Borough of Wandsworth, is worth £769,982 and is for the conversion of 50 Victorian and Edwardian houses into 58 modern homes.

Another contract, awarded by the London Borough of Islington and worth £435,393, is for the modernisation of 24 flats at Addington Mansions, Highbury Grange, N5, and their conversion into 41 homes in three blocks.

A third job involves the equipment of multi-storey flats, in Bethnal Green, Kingsland and Upper Clapton, with externally sited lifts for the London Borough of Hackney. Cost of this is about £313,600.

IN BRIEF

● Kenmac Construction Company (Brittains Group) has won sewerage construction work to the value of £1.4m. Contracts have been awarded by the Welsh National Water Development Authority (£555,900), the North West Water Authority (£181,000) and the Metropolitan Borough of St. Helens (£687,000).

● Matthew Hall Mechanical Services Fire Protection Division has been awarded a contract worth over £700,000 for the design, supply and installation of fire protection sprinkler systems and associated work for Hoover in its factory at Merthyr Tydfil.

● Structural steel for the roof of the prestige Penta Hotel in Dubai is the subject of a £174,000 contract awarded to Graham Wood Structural by Dutco (International) which requires supply, delivery and erection of beams and stanchions, involving 280 tonnes of steel.

Why the Portuguese are thanking their lucky stars

By DIANA SMITH in Portugal

PORTUGAL'S ailing *economy* and her often-demoralised business and labour sectors have received a *financial* and psychological boost from a novel source (for Portugal)—the international film industry.

By the end of this month $2m. will have been spent on: Portuguese labour (about $150,000 worth), transport (another $150,000), building materials (over $200,000) and on hotels and restaurants (over $300,000). About 3,000 Portuguese people of every size, shape and age—including impoverished *refugees* from former Portuguese Timor — hired as extras, at $12.50 a day for an *average* crowd or $25.00 a day for a *special* crowd.

Nor must one forget the hire of typewriters and duplicators, generators, purchase of food for meals on location, clothing, make-up, and hire of bulls, for local colour.

Not to mention secretaries, translators, policemen for security or even for *special* crowds, insurance with Portuguese firms, bank facilities, hire of theatres to screen the daily rushes. The spin-offs appear to be endless, and Portugal is overjoyed. Lisbon is agog at the daily presence of famous film stars. The tills are ringing merrily, autograph hunters are in seventh heaven.

Distributing all this largesse *is* Lord (Lew) Grade, who decided to take a gamble and agree to five weeks' location *shooting on the Boys from* Brazil—the $12m. budget super-production he is financing in this small, insolvent but friendly country, usually overlooked by the world's film moguls.

Why Portugal? Mr. Stanley O'Toole, British co-producer of the film with Mr. Robert Fryer, the U.S. film and theatre producer, answered the question without blinking: "As far as films are concerned Portugal is *totally unsophisticated*."

This lack of sophistication provides several advantages, according to Mr. O'Toole—first of all, tremendous enthusiasm and co-operation from the authorities, from suppliers, hired hands, extras, and people rushing to lend, free of charges, land, houses, and services, just for the fun of being in on the excitement. Secondly, production costs here are a tiny fraction of what they would be in England, and considerably lower than Spain—until now a favourite haunt for international productions.

Thirdly, everyone is working flat out, either through eagerness to please and in the hope that other super productions will follow suit, or because the experience is totally new to them, and the novelty factor is a strong motivating force. Builders, plasterers and electricians, according to Mr. O'Toole, have been eager and quick to learn from the British or American craftsmen brought in to supervise the technical side, without need for interpreters. Sign language knows no frontiers.

Trevor Humphries

Lord Grade (left) took the gamble while Gregory Peck provided the glamour.

The Boys from Brazil—based on the book by Ira Levin which describes efforts by the SS physician Dr. Josef Mengele to reproduce perfect, identical Aryans, who will people a world-wide Fourth Reich — is partly set in Paraguay. Portugal's landscape hardly resembles a South American jungle or tropical river—so one has been created, from a salt-water lagoon about 25 miles south of Lisbon. About $50,000 worth of tropical plants have been imported, and kept alive during filming by re-channelling fresh water from hundreds of metres away, over a hill and into the lagoon.

An Indian compound has been built on the banks of the lagoon on property eagerly lent by a local landowner, who has asked that the set be left standing as a souvenir. The Indians are played by Timorese refugees, whose physical appearance is close enough to that of Paraguayan natives to make them look authentic.

What receiving $12.50 or $25 a day, plus going before the cameras of a major film production does for the morale of a *near-penniless, homeless* refugee from Timor, living in a dingy displaced persons' camp with little prospect of a permanent job or permanent home, needs no comment.

What sitting in a Lisbon restaurant at a table next to Gregory Peck or James Mason, co-stars of the Boys from Brazil, does to the morale of the capital's inhabitants, acutely aware that Portugal is often regarded as a cultural, cinematic and theatrical backwater, also needs no comment.

The normally ultra-dignified proprietor of one of Lisbon's quietest, most expensive restaurants rushed up to me the other evening, eyes sparkling, crying "Madame, madame, guess who came to lunch? James Mason!"

Even your correspondent *went all of a flutter recently* when she realised Gregory Peck and his family were dining at *the next table*. Mr. Peck is playing Josef Mengele, the Angel of Death, hunted by *Simon Weisenthal (played by* Lord Olivier), the nazi hunter of Vienna.

Parts of Lisbon have been turned, briefly, into replicas of Asuncion, Paraguay, or Brazilian cities. Lisbon's architecture strongly resembles that of Latin-America so the transformation is not too difficult.

Mr. O'Toole *confessed he had* been apprehensive—as any producer would have been—about treading new territory. No major international film company had been near Portugal for seven years and that visit involved only a week or so of *shooting and no building of* complicated sets.

"But," he said, "Lew Grade backed the project up all the way, and it's paid off. We've had far, far more than a dollar's work for a dollar's pay —it's been a wonderful experience."

In a country with a crippling balance of payments deficit of $1bn., the $2m. spent by Lord Grade's company, ITC, and Pimlico Films, will by no means bridge the yawning gap —but, the Portuguese hope, indeed, pray, that because *things have gone so well this* time other major producers will follow suit.

Several hundred average Portuguese citizens will be able to tell their grandchildren about *the day* they stood next to Gregory Peck, and, what's more, got paid for it. Portugal, in many different sectors, will thrive on memories and local profits from The Boys from Brazil for some time to come.

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

Educators castigated

Rise and Fall of the British Manager by Alistair Mant. Macmillan, £5.95

...RE IS said to have been ... number of applications ... year for places in Britain's ... ness schools. Is this good ...?

... creation of new business ... ls and similar institutions ... the past ten years or so ... not appear to have done ... to improve this country's ... trial performance and ... are those who say that ... hole effort in management ... ation has been misconceived. One of them is Alistair ... described in the blurb to ... book as "a famous ... elist of the management ..." The puzzle which he ... to explain, in a vigorous, sometimes strident style, is ... in this country "we downgrade so many of the jobs that matter while building ... the idea of 'management' a plethora of myths, ... and incantations ... our most successful competitors seem to be able to do without."

... argues that the business of making and selling things, doing those jobs well, has been submerged by the preoccupation with "management," it was something quite distinct from those humdrum activities. This is particularly marked in large organisations. "Clearly," he says, "the more removed you are from consumers on the one hand and those who actually make products on the other, the more likely it is that the process of management may seem to have nothing to do with either. But unique to Britain seems to be the implicit belief that, having crossed over, you can't look back; as though the boundary to the portals of management was the River Styx itself." He suggests that "people who worship at the right shrines (management education) and scratch the right backs may often rise in the ranks of management without ever demonstrating the guts and the wits necessary to get really important things done."

Low status

Management development, in Mant's view, has become something of a priesthood. The role of the priests is to "regulate traffic between the nether regions and the hoped-for realms above."

The most convincing section of the book is concerned with the low status of production management and the related fact that in some British companies the concern of the most senior management for the product they are making appears to be less than in their German or Swedish counterparts. Pointing to Daimler-Benz's work on car safety during the 1950s, Mant says that "at the heart of the enterprise was a devotion to the product itself which represented the glue that held the enterprise together spiritually as well as technically." He accuses some of the "big names" of British industry (without naming them) of "abysmal ignorance of the fundamental nature of production;" some of these people, he implies, owe their position to "the existence of charmed circles and the debilitating incapacity of the British to sack incompetents."

No doubt some British companies can be justly criticised on these grounds, but does it really follow that management education and development have contributed to the weaknesses? Mant declares that so long as management means something other than running things properly, "we will continue to see a huge definitional gap between management education and what is going wrong with the country." Again, he attacks management development for "failing to recognise that 'management' was, in the first place, a bizarre, culture-bound (British, American, and British colonial) concept on which to build a movement and a specialism."

It is not obvious that people who teach in business schools or who work in personnel departments of large companies define a good manager in any other way than as someone who runs things efficiently. Nor is it self-evident that these two groups of people are incapable of contributing anything useful to the efficient running of companies. It is certainly of interest that the concept of management education does not play much of a role in Continental countries and that engineering and production appear to be more highly valued in those countries. It is also possible that the techniques described by Mant for enabling a manager to understand more clearly what his role is may in some cases be more effective in generating better performance than business school courses. But it would be going too far to argue that all those who are engaged in management training and development in the conventional sense are wasting their time.

Geoffrey Owen

Architects challenged

THERE IS widespread disappointment within the architectural profession that the Monopolies Commission's recent report recommending the abolition of the mandatory fee scale, does not appear to have understood the professional function of the architect.

This disappointment was forcibly expressed by the President of the Royal Institute of British Architects, Mr. Gordon Graham. While admitting that the written case put to the Commission by the RIBA was perfectly fairly presented in the report, he said that the profession was "burning with indignation" at the outright recommendation that fee scales should be negotiated between the architect and his client. The Institute would continue to fight against these proposed strictures, he said.

The Commission's argument is that compliance with the mandatory scales of minimum charges "is a thing done for the purpose of preserving the conditions which operates (sic) and may be expected to operate against the public interest." The report then recommends that the rules of the Architects' Registration Council of the U.K., which governs all recognised associations of architects, "should be amended so as to permit an architect freely to quote a fee in competition with other architects and so as not to prevent competition for business on the basis of fees."

The Commission, in the general tenor of the report, does not seem to recognise that architecture is a profession which has as its goal a creative and social (though not party political) function which operates, without question, in the interests of the public.

It is of great importance to note the general reaction of the users of architects' services, 170 of whom were invited to give evidence. These included Government departments, local authorities, large organisations and consumer groups. Nearly half the witnesses, states the report, "gave a view which could be interpreted as definitely favouring retention of the scales compared with only about one-tenth against."

Charges scale

The Commission, ignoring the evidence, recommends "the publication by the RIBA and other associations of architects . . ." of scales of charges for architects' services that should be permitted provided that (a) they are not mandatory and (b) they have been determined by an independent committee. The committee is to consist of a chairman and three or four members, appointed by the Government "on a personal basis and not as representatives of architects or users of architects' services." But the Institute is rightly insisting that among these few members should be one who has an overriding knowledge of the present circumstances of the construction industry.

The Government, through John Fraser, Minister of State for Prices and Consumer Protection, speaking on behalf of his Secretary of State Roy Hattersley, agreed with the conclusions of the report and is asking the Director-General of Fair Trading to discuss with the appropriate professional bodies what action should be taken and what amendments might be necessary to their rules. The advice from the Director is requested within six months; this perhaps could leave some room for manoeuvre in the meantime.

The responsibility of the architect for the co-ordination of the work of the various specialists involved during the erection of his design, together with his concern for the ultimate form, appearance and colour of the building and its relationship to its surroundings, lifts the whole process into a creative act, the result of which must remain for many years.

As for the supposed lack of competition, where is the "monopoly" when one can go to any unqualified person to design a building?

Architects are in any case in competition with each other on terms of quality, and the weakest go to the wall. The mandatory fee scale, although it cannot guarantee the most perfect service, is nevertheless the guarantee of a high degree of skill and integrity backed by a strict code of conduct: in other words professionalism.

It was Sidney and Beatrice Webb who defined a profession as "a vocation founded upon specialised educational training, the purpose of which is to supply disinterested counsel and service to others, for a direct and definite compensation, wholly apart from expectation of other business gain."

The many pages and voluminous appendices to the Monopolies Commission's report drive all the professionals concerned to conclude that in spite of all the evidence in favour of retaining the mandatory scale, the conclusions were preconceived.

H. A. N. Brockman

Benn's new top boffin

...r Hermann Bondi, the new ... scientist at the Department of Energy, forecasts ...ctly, the professional diver ... disappeared from the North Sea by the end of the ... Sir Hermann is con... that the working ... ment is already too ... in a society which ... cerned about health and ... at work. He feels the ... is bound to worsen as ... re operations move into ... er waters.

... answer, he believes, lies ... emote control of ocean ... ations, using manned or ... unmanned submersibles ... erform all seabed tasks— ... making routine inspections ... ckling a blowout. Once per...d, the technology could ... important applications ... where in the energy sector, ... obviously in the mining of ... in awkward places. But the sea, says Sir Hermann, is the place to work out the problems, not only because it will be simpler than in coal seams but also because the mortality rate among North Sea divers is running at nearly ten times that among British miners.

Sir Hermann, just 58, fresh from six years as chief scientific adviser to the Ministry of Defence, confesses to finding the man-machine relationship—so crucial to the success of modern weapons—a particularly fascinating technical challenge. The Russians, he points out, showed that the relationship could be stretched successfully over 250,000 miles when they landed a robot astronaut on the moon. The "inner space" of the oceans will throw up different though no less challenging problems for robots operating up to a few thousand feet from their controllers. He believes Britain's military experience can be married with the growing research resources of the offshore industries.

The deep-sea diver has made astonishing progress in recent *years in his ability to work at* great depth. But his ability to cope with the psychological stresses has shown no sign of keeping abreast. Faced with *unforeseen circumstances* demanding decisions, he may act quite unpredictably — a frightening flaw when not only a man's life but also a big investment or a whole environment may be put at risk by a mistake.

Sir Hermann foresaw the problem while at Defence, though admits that he found it an uphill task to persuade the Navy—very proud of its divers—that they had little future. In his new chair in the Department of Energy he is more optimistic about getting work going in remotely controlled seabed operations that might pool such experience as Vickers Oceanics (in submersibles), the defence contractors (as systems engineers) and MATSU (the Marine Technology Support Unit at Harwell).

MATSU and its companion ETSU (Energy Technology Support Unit) are two teams set up by Bondi's predecessor Dr. Walter Marshall, who was *sacked by Mr. Anthony Wedgwood* Benn, Secretary for Energy, last summer for an excess of zeal in trying to persuade his minister to accept the *responsibilities* of office and take some decisions. Sir Hermann finds both teams "most impressive" adjuncts to his ministry staff. The large internal scientific resources he enjoyed at Defence are almost entirely absent within the Energy Department itself, but the balance is redressed by the two Harwell teams of technical experts.

Sir Hermann points out that if you add everything up energy looms twice as large as *defence* as a national activity. "Of course, if we got things wrong in defence the result could be catastrophic. In energy there are various levels of catastrophe."

After two months in office he pays generous tribute to the

resources built up virtually from scratch by his predecessor in only three years. He has been "astounded" by the depth of the studies and by the range of possible national energy scenarios under consideration.

At Energy his function is an executive one, with direct *responsibility for the department's* own £28m. research programme; and, as chairman of the Advisory Committee on Energy Research and Development (ACORD), *responsibility* for advising his Secretary of State on the research programmes of the state-owned energy industries. But he is no stranger to executive responsibility for big projects. He ran the European Space Research Organisation in Paris for four years, until 1971, rejuvenating a dispirited multi-national venture, and preparing the ground for its transformation into the European Space Agency—Europe's NASA.

One new challenge will be the privately-owned energy companies, *especially the big oil* and engineering groups. At Defence he was accustomed to major industrial contractors whose research programmes *were dominated by the* ministry's requirements and, often, the ministry's cash. Companies such as Shell and British Petroleum must be *persuaded to open their* laboratories to the cosmologist from the ministry out of goodwill and common interest rather than as a legal obligation.

But a *more* immediate problem is the "list of screaming babies," particularly nuclear babies, crying out for decisions from his department. They include the choice of a new thermal reactor, and how and when to press ahead with the fast breeder reactor and reprocessing of spent nuclear fuel. "I trust I'll understand them well enough, soon enough to participate."

For all his natural ebullience, Sir Hermann is an innately cautious *man* — one who, for example, makes a point of wearing a seatbelt even in the back seat of his official car. Even so, he told a seminar of nuclear experts and their antagonists which was called by Mr. Wedg*wood Benn last spring that he* believed the nuclear industry and the Health and Safety Executive between them could "put the dangers of accidents in *a position where society could* face up to them."

He approaches the so-called "benign and renewable" alternative to nuclear energy *no less cautiously. His Minister* has asked him to look at the balance of effort in his department's research programme. So far he has spotted no particular gaps in the programme he inherited. And all the alternatives, he says, seem likely to work out to be more expensive.

But he sees money spent on wavepower, solar energy, geothermal heat, etc., as an insurance premium paid by the Government to cover the risk that the energy sources on which it is expecting to depend *in the future—predominantly* coal and uranium—could turn out to be less readily available, more expensive, or socially unacceptable. But how big a premium should the Government be paying? The problem with the alternatives, says Sir Hermann, is that while there is plenty of public pressure to proceed faster, in any new field it is never easy to develop a capability for spending money sensibly. "Spending money sensibly is more difficult than people think—it takes a very sustained effort."

David Fishlock

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
Telephone: 01-248 8000
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Acting against bribery

THE TASK that faced Lord Shawcross and his team of businessmen and politicians who were asked by the International Chamber of Commerce to make a study of bribery practices in business can by no stretch of the imagination be described as easy. On the one hand, it is clear that there are a few countries in the world where bribery has been a way of life for centuries. It is not the least use western businessmen, or for that matter, western governments adopting a high moral attitude when they transact business in these countries for the outcome will simply be that they will do no business with them at all. They would merely cut their own throats. On the other hand, there are many reasons why it is in the business community's own interest not to adopt the attitude that nothing can, or should be, done to try to reduce the practice.

Self-defeating

At the most primitive level, the wave of disclosures of unethical business transactions which has taken place in recent years — particularly in the U.S. where it has been a by-product of the post-Watergate change in public mood — can hardly be said to have been good for the image of the international business community. If businessmen should fail to demonstrate a readiness to tackle the problem, the task could well be taken up by interests which are opposed, not just to corruption, but to business itself. More than that, it is only too easy for an acceptance of the unavoidability of bribery in certain parts of the world to degenerate into a situation that is self-defeating. What one might describe as "defensive bribery" — the routine hand-outs that are expected if an order is to be secured and, later on, to make sure that a delivery is cleared for customs and delivered — can gradually shade into a situation where rival firms begin outbidding each other, the going rate of payment escalates, and corruption becomes a normal ingredient of an aggressive sales policy in overseas markets generally.

At the same time, it must be recognised that the international business community cannot be expected to eradicate bribery by its own unaided efforts. It is also up to governments, and especially governments in countries where bribery is endemic, to help stamp out the practice by enacting stringent laws against corruption and by summoning the political will to make sure that the laws are properly enforced. Yet enforcement in turn will call for companies doing business in the country concerned to be ready to disclose the details of any questionable payments they or their agents may make or be pressed to make.

The report which has been drawn up by the Shawcross commission and which is to be discussed by the ICC council to-morrow represents a valiant attempt to recognise all these different facets of the problem. It makes clear that all governments have a clear duty to co-operate. It suggests that the ICC, which is the nearest the international business community has to a representative body, should adopt a five-point code of conduct to guide member companies, especially in the tricky matter of making payments to overseas agents and recording financial transactions in the appropriate books of account. Finally, it proposes the setting up of a special ICC panel to oversee the application and development of the code and to look into instances of alleged infringement.

Imprudent

On many points, and particularly on the appropriateness of the ICC appointing its own watch-dog, the Shawcross report has come under heavy criticism from certain Continental business quarters. It has already been watered down in some respects to meet these anxieties. It may not be enough, it seems, to appease the critics. They should recognise, however, that it is in the interests of the business community as a whole that action should be taken to resist extortion and that the whole thrust of the Shawcross report was to strengthen the hands of businessmen in this regard and to put pressure on certain overseas governments. Bribery may never be eliminated, but it would now be imprudent for the ICC not to try to contain it.

Mr. Smith makes a concession

MR. IAN SMITH is nothing if not a survivor, and he has made an extremely astute move in publicly accepting the principle of universal adult suffrage as the basis for an internal settlement in Rhodesia. Indeed, it is more than merely astute, for it implies that Mr. Smith has at last come round to face the fundamental truth of the Rhodesian situation: the white minority cannot hope to win a permanent victory against the black nationalists, and must therefore be prepared to consider a realistic political solution. Yet it would be naive not to strike a note of caution. There have been many occasions in the past when Mr. Smith has appeared to be on the verge of accepting a political solution, and it would be premature to assume that this time he is in good faith.

Serious burden

It is only a matter of weeks ago that Mr. Smith was still insisting that he could not accept the idea of universal suffrage, on the grounds that this would make it impossible to maintain "decent standards," or, in plain English, the privileges of the white minority. There are plenty of good reasons why he should, sooner or later, change his mind. The white regime can, no doubt, carry on the running battle with the guerillas for a considerable time to come. But there can be no denying that the war imposes a very serious burden on the economy, and an even more serious psychological strain on the whites, who can have no reason to suppose that the war can ever be won.

The Anglo-American settlement proposals have clearly run into difficulties; Mr. Smith is unwilling to accept that he should hand over all power to a British government representative during a brief pre-independence period, while on the other side, the Patriotic Front guerilla movements led by Mr. Joshua Nkomo and Mr. Robert Mugabe insist that power should be handed over directly to them, and Mr. Nkomo rejects the intervening formality of a general election. Dr. David Owen, the British Foreign Secretary, is putting a brave face on the situation, and maintains that there is still hope for his proposals, but his optimism is beginning to seem somewhat forced.

For his part, Mr. Smith may well have concluded that there is now little danger of his being outflanked by an agreement between the British Government and the Patriotic Front, and that what little danger there is can be effectively disposed of by a major concession, on the issue of universal suffrage, to those black leaders inside Rhodesia, such as Bishop Muzorewa and Rev. Sithole, who are not directly connected with the guerillas.

There is a major qualification to the Smith offer. In the past, he has always insisted that there must be special voting qualifications to protect the position of the whites. Now he says that there are other and possibly better ways of protecting the whites.

The black leaders inside Rhodesia have, until now, been guarded about earlier Smith proposals. To judge by Bishop Muzorewa's initial reaction, they may find the latest offer more tempting than any of the alternatives in sight. If the Anglo-American proposals fail, and the guerillas succeed in wearing down the Smith regime, then the Patriotic Front would be certain to come out on top in an independent Zimbabwe. The internal black leaders can only hope to come to power through an internal settlement.

Compatible

It is far too early to hazard a guess as to whether such an internal settlement is really on the cards, or whether this is just another of Mr. Smith's diversionary tactics. His dramatic gesture is only the first step towards a negotiation which has yet to begin, and which, if it does begin, will raise a number of extremely difficult issues all round—for the whites, for the blacks inside Rhodesia, for the guerillas, and for the neighbouring Front-line black States. But at least it will now be hard for Mr. Smith to retract his admission that adult suffrage, in an overwhelmingly black country like Rhodesia, may be compatible with decent standards.

Britain's energy gap after AD 2000

BY RAY DAFTER AND DAVID FISHLOCK

THE ENERGY Commission, set up by Mr. Anthony Wedgwood Benn, Secretary for Energy, to advise him in formulating a national energy policy and strategy, meets for the first time in London to-day. The 22-man commission consists in roughly equal parts of senior men from the energy industry, trade union leaders, and, as representatives of the energy consumer, academics, industrialists, chairmen of consumer councils, and others.

Sensibly, it includes no-one with a mission simply to oppose some facet of UK energy policy. Before the first day is through the commission itself may have cause to applaud this decision. Officials in the Department of Energy confess that it is no easy task trying to find suitable problems to put to yet another advisory body. But the main subject to-day is a paper they have spent a year preparing, forecasting the shape of the nation's "energy mix" by the end of the century.

There are no great surprises in the picture portrayed for AD 2000. But in order to get there with fair confidence the forecasters have been obliged to peer deep into their crystal ball. What emerges from the mists is that by about 2000 Britain will stand on the brink of some momentous changes in its energy mix: changes for which it must prepare to-day if it hopes to implement them in time.

Sense of urgency

There is a danger that energy self-sufficiency gained within the next two years will mask the urgency of this need. It is surprising that the Cabinet is only now working out ways to spend North Sea oil revenues. The Energy Commission would provide a particularly valuable service if it instilled a greater sense of urgency into the formulation of positive fuel policies.

For the warning signs are there, published in the Working Document on Energy Policy which was prepared for the commission by the Government. North Sea oil production should be running at 100m. to 150m. tonnes annually in the 1980s, more than enough to satisfy Britain's needs. However, by the early 1990s, as offshore production begins to decline, the need for net oil imports will again arise—assuming that there is crude available to import. What the document does not show is that by AD 2025, the steady decline of U.K. oil production could have left an energy gap to be filled by oil imports or other fuels equivalent to over 125m. tonnes a year.

Of course, it is quite possible that the U.K. oil industry will find even more than the 3bn. to 4.5bn. tonnes of reserves currently envisaged. But those figures already make allowance for substantial quantities of oil not yet discovered. It would be foolish to plan on the assumption of even bigger reserves.

A similar picture emerges with natural gas, a premium fuel which is expected to meet a continuing large slice of demand in the domestic and commercial sectors. Britain is already self-sufficient in gas, a position that is likely to remain beyond the mid-1990s or, perhaps, ten years later. The Working Document states that the more pessimistic view is based on the reserves assumption of 55 trillion (55 million million) cubic feet of gas remaining available to the U.K. It was possible that a further 20 trillion cubic feet could become available from future discoveries, including some on the Norwegian Continental Shelf.

Whatever happens to supplies, the demand for gas is not expected to diminish. This means that as time goes by substitute natural gas (SNG), manufactured from coal, will have to fill the gap left by dwindling North Sea reserves. The first plants may well be needed within the next 20 years. By 2025 virtually the whole of Britain's gas supplies could be derived from coal.

This looks like posing a formidable problem. There is serious concern among many officials in the Energy Department and fuel supply industries that the National Coal Board will be unable to meet the demand. The signs are not encouraging for, at a time when most energy pundits are proclaiming the rebirth of the coal age, Britain's mining output continues to fall. Last year U.K. production was 122m. tonnes, a drop of almost 4 per cent. below the previous year. In the January-October period there was a further 1.6 per cent. fall.

Under the National Coal Board's Plan for Coal, the industry is scheduled to reach an output of about 135m. tonnes annually by 1985. The Coal Tripartite Group, representing the Government, the Board and the unions, set a target of 165m. tonnes production annually by the year 2000. On current evidence it seems doubtful whether either target will be hit.

Even if the production levels are achieved they will be insufficient to meet the total demand of the markets for coal—markets dominated by power stations in the 1980s and 1990s and by SNG from early in the 21st century.

This is where the crunch comes: unless there is an early commitment to nuclear development—needed to replace coal in electricity generation—and unless the coal industry improves its output considerably, the country could face a crippling payments deficit within the next 20 years or so.

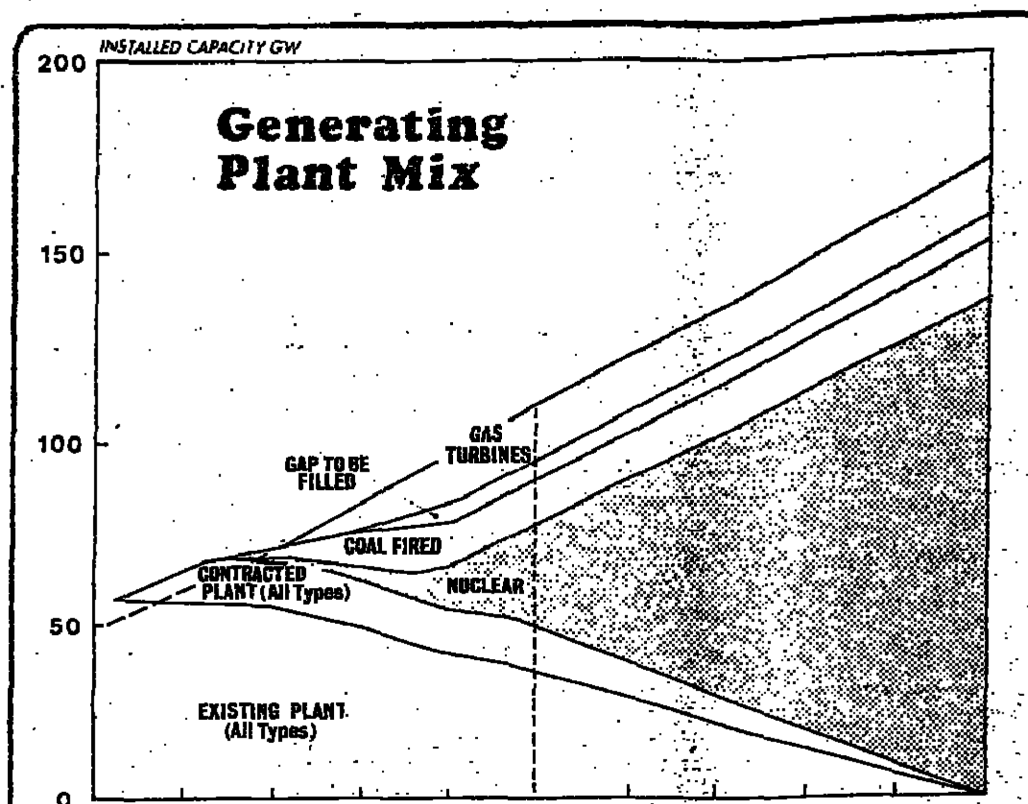
At best Government officials foresee a shortfall of energy supplies of around 20m. tonnes of coal equivalent in AD 2000: energy imports would damage the country's balance of payments by over £1bn. at 1976 prices. This optimistic forecast is based on a big increase of coal and nuclear production and a low economic growth rate—about 2 per cent. annually to the turn of the century.

If the economy grows by about 3 per cent. annually—and the worst coal and nuclear production rates are envisaged (and this would assume that no more nuclear stations would be built), then the energy shortfall in AD 2000 could be almost 120m. tonnes of coal equivalent, a balance of payments burden amounting to more than £8.5bn.

It is easy to overlook the fact that AD 2000 is only 22 years away. It is often forgotten that the lead times for many new energy projects even when the technology is already proved—a new mine or nuclear power station, for example—can be up to 10 years.

The Working Document recognises the fact that seven energy policy decisions need to be taken within the next two years. They are: the placing of further thermal nuclear reactor orders; the Government attitude to fast breeder reactors; a coal-fired power station ordering programme beyond Drax B; the construction of a gas gathering pipeline network in the North Sea; the formulation of new energy conservation policies; the establishment of research and development strategies; and the development of pricing mechanisms in various fuels. But this cannot be a once-and-for-all exercise. There are further important, and urgent, decisions which have to be faced by the mid-1980s.

The stark fact that emerges from the Energy Department's forecasts is that, given continuity of the assumed 3 per cent. annual growth rate, Britain's nuclear capacity must expand very rapidly from AD 2000 onwards. Other options are plain and highly unpalatable: either to accept a lower growth in demand, implying political acceptance of a lower rate of economic development; or to accept the inevitable return to very large imports of fossil fuels in order to fill the energy gap which the forecasters no longer have any doubts, yawns beyond AD 2000.



Source: D.O.Energy for data up to A.D. 2000. F.T. extrapolation for later years

Conservation needs

Conservation, the forecasters conclude firmly, is not an alternative to a nuclear-dominated electricity supply early in the next century. When they look back at the past two decades of changing energy demand, they find a considerable element of conservation disguised as technological progress in energy systems. They are already assuming that this will continue.

Beyond this — and they are looking for a 20 per cent. saving below the level it could have reached on the basis of past relationships between energy and output—conservation must be stimulated by incentives or by disincentives. Price is the obvious one, but there is a limit to how far this can be pushed up and it falls far short of the reduction in demand needed. In practice, the most useful incentives appear to be fiscal ones to encourage improved thermal insulation of buildings and a change in the building regulations.

Neither are the "benign and renewable" sources of energy an alternative, say the forecasters. First, the more promising ones for Britain are still at too primitive a stage of engineering development to be fed into an economic model as detailed as they are now using (though they may be ready to take in wavepower in another year or so). Second, the renewables are intermittent, not secure sources of energy supply, vulnerable to the caprices of nature. Either they would need to be backed up by a very large amount of costly energy storage—probably pumped storage—or the generating boards would have to increase substantially their margin of spare capacity.

Even on the optimistic assumption that the contribution from benign and renewable sources will grow ten-fold during the first 25 years of the next century, to say 100m. tonnes of coal equivalent, they would fall far short of filling the gap. Moreover, the renewables would increase, not decrease, the need for large central power stations, whether hydro-electric for pumped storage or nuclear for the spare capacity.

Neither can U.K. coal be expected to fill the gap. One important reason is their belief, say the forecasters, that having come to accept gas again the nation will want to stay with it if possible when North Sea gas reserves begin to dwindle. Thus in less than two decades Britain must prepare to start converting coal into SNG.

Two important technological question marks also hang over British coal. One is whether it can be raised cheaply enough, in the quantities needed. It will probably require a mining technology more advanced than anything that has been experimented with yet, if it is to compete with foreign [...] mined coal in the 21st cen[...]

The second question con[...] the fluidised-bed boiler, [...] as the technology that will [...] mit coal to be burned cle[...] and efficiently, both for [...] tricity generation and pr[...] heat, far into the future. Bu[...] fluidised-bed boiler is still [...] early and very uncertain [...] of engineering developme[...] compared with, say, nu[...] reactors.

Even so, the forecasters [...] that Britain will need more [...] than the NCB has undertak[...] deliver. They assume impor[...] 10m. tonnes a year—a [...] dictated by existing port h[...] ing facilities. But they w[...] really like to be assured [...] extra 30-40m. tonnes abov[...] promised 165m. tonnes [...] output by AD 2000.

These, then, are the co[...] sions that will be laid befor[...] Wedgwood Benn and his E[...] Commission to-day, then [...] sented to other Ca[...] Ministers in the coming w[...] and finally put to the pub[...] a Green Paper. They add [...] what has been nicknamed [...] "coconuke" strategy—coa[...] servation-nuclear — for e[...] security in the next century.

Britain's energy expert[...] not alone in concluding tha[...] "coconuke" strategy is the [...] path, although this is sca[...] surprising since other high[...] dustrialised nations in We[...] Europe and North Americ[...] shackled by the same long[...] constraints. Britain could [...] itself alone, however, if it [...] tinues to reject evidence th[...] energy gap yawns uncomfor[...] else in terms of the indu[...] and engineering problems [...] have still to be overcome.

The Energy Secretary with Jack Rampton, his permanent secretary (centre), and Phillip Jones, deputy secret[...] (energy policy).

MEN AND MATTERS

Wheeling down from Leeds

If you imagine that skateboarding is the last word on wheels, William Bartfield of Leeds thinks you are in for a big surprise quite soon. Yesterday evening he gazed with satisfaction at 400 people speed-wheeling in his Queen's Hall arena. What Leeds is doing now he hopes to have the country doing before the spring. He has his eye on Alexandra Palace in London and is negotiating to lease halls in other cities.

Speed-wheeling? Call it dry ice-skating, if you prefer. Four small wheels, with nylon tyres, are arranged in a straight line one behind the other on each skate, in place of a blade. All you need is a dry, smooth surface and you are away. Speed-wheeling was invented by the Austrian national skating team, so that open-air practising would be possible in the summer months, and the skates are made by an Austrian firm named Anker. Bartfield's company, Men of Leisure, acquired the British franchise and began importing the skates six months ago. The Queen's Hall manager, David Pawson, was the epitome of Yorkshire waryness when I first asked him how business was going. It turned out that he suspected I was a spy for ice-skating operators — who will certainly not welcome this incursion: even when that misunderstanding was sorted out, Pawson was still far from voluble: "We got a lot on the cards," was his rashest utterance.

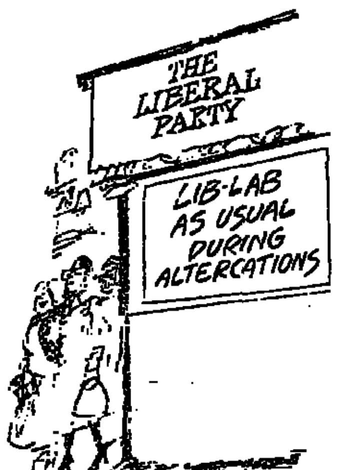
What seems plain is that speed-wheeling suits the girls well. The Leeds arena is divided—half for skateboarding (where the participants are always 95 per cent. male) and half for Bartfield's new venture. Most of the speed-wheelers are young and female, mini-skirted, and whirling in fair emulation of Olympic ice stars. "Anything you can do on skates is possible on speed-wheels," claims Pawson. "We know it's a winner."

Historic citadel

The fourteenth-century citadel of Harar, around which this week the crucial battle between Ethiopian and Somali forces is being fought, was in Haile Selassie's time a key spot on the itinerary for cultural tours from Britain. One of the regular sights to divert tourists was the Hyena Man, who every evening would go out to a gap in the city wall with a box of bones. Several dozen hyenas would be waiting, and would be called by name for their suppers.

Haile Selassie was born in Harar, and its palace—now the goal of the Somali insurgents—was built by his father Ras Makonnen. At this time, in former days, preparations were in hand for the December feast of St. Gabriel, founded by Ras Makonnen to celebrate an Ethiopian victory in battle. Thousands of people would assemble at a nearby village, Kalubi, and fires were lit on the hilltops. The peak of the festival was a procession in which pilgrims would carry stones on their heads as a penance, and the emperor would hand out [...] to the [...] beggars.

Drums would resound in the church and the Ethiopian priests in white turbans and black cloaks would dance and keep time with silver rattles. Haile Selassie then walked three times around the church, followed by the Holy Ark covered in purple velvet and a gilded portrait of St. Gabriel, while the priests chanted praises. To-day the city is resounding instead to the noise of rockets and mortars.



Mark time

On New Year's Eve the Second World War will suddenly become more remote for our troops stationed in Berlin: no longer will they be given "Bafs" to spend. This news may well bring a nostalgic tear to the eyes of those readers who can recall halcyon days in the NAAFI, nonchalantly tossing British Armed Forces Special Vouchers across the counter for a pork pie and a cup of tea. The army has long been phasing out Bafs, so that Germany's former capital — technically still "occupied by the allied forces"—is now the only place in the world where this military currency is still used in canteens and stores.

From the start of 1978, the 4,000 members of the British services in Berlin will be paid in Deutsche Marks. They will also be encouraged to open German bank accounts into which their pay cheques will be directly deposited from Britain. But if they choose, they will be able to have their pay put into a British account.

Bafs began in the middle Forties: the "occupation lire" used in Italy during the fighting looked as though they had been run off in somebody's garage, and were in general use among troops and civilians alike. Contemporary Bafs are spartan, but quite unmilitary in style. The £1 and £5 notes are slightly smaller than our contemporary livers. Their passing will have a certain sadness for De La Rue, which prints them.

Ringing no bells

Insult was definitely added to injury for Whinney Murray last week. The Chiswell Street headquarters of the firm—one of the City's leading accounting practices—was the scene of a fire which began in the evening, while the partners were relaxing upstairs. Due to the strike, no help was forthcoming from the Barbican fire station, just around the corner, so the blaze was attended to, pretty smartly, by an RAF squad. However, the damage was somewhat greater than if the professionals had been on the job. The next morning several Whinney Murray partners walking to work past the picket lines of Barbican firemen were solicited for a donation to strike funds. I gather that some of the responses were of a kind that rarely pass the lips of chartered accountants.

Not just gossip

Sign on the door of a Hampshire village store: "CLOSED unless someone wants something."

Observer

FINANCIAL TIMES SURVEY

Monday November 28 1977

هكذا من الأصل

Scotland

Scotland has learned to rely on more than the oil fields of the North Sea for its future wealth and prosperity, and the industrial emphasis is gradually moving away from heavy engineering towards advanced products like electronic equipment. Although optimism is not yet particularly marked, the economic picture is improving.

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Ray Perman
...sh Correspondent

...HERE is one thing that the ...nmic performance of Scot... illustrates clearly it is that ...e is a large and perhaps ...ning gap between the way ...nation sees itself and the others view it.

...t home confidence has re... ...ed low throughout the year ...the picture of falling pro... ...tion and rising unemploy... ...t has been both a cause and ...ct of this depression. Bank... ...cies have risen sharply, ...s the number of new com... ...ies being created has ...nped.

...vestment in industry—at ...t as it is reflected in bank ...nces—is again rising after ...p at the beginning of 1977, ...at nowhere near the rate of a year ago. There have been enough false dawns in the past two years to instil an almost universal sense of caution.

This is the view from up close: an outlook obscured by gloom that stretches only as far as the next pay round, the next likely adjustment in interest rates, the next mini-budget or change in the value of sterling.

Dramatic

But there is a longer perspective, which, it seems, is easier to gain from outside Scotland. Much of the investment that has been made during 1977, much of the confidence that has been expressed (and many of the opportunities that have been grasped) have come from foreign based companies or from those based elsewhere in the U.K.

As last year, the most dramatic illustration has been provided by the banks. But whereas 1976 saw a tremendous influx of American institutions, this year it has been the turn of London. National Westminster, whose Edinburgh and Glasgow branches were opened in 1975, this month expanded into Aberdeen. Barclays upgraded its Edinburgh representative office to full branch status, the Midland opened its first Scottish branch two weeks ago and Lloyds will follow suit in January.

Competition has been the catalyst—where one led the rest could not afford not to follow. But all are looking to the long rather than the short-term and are confidently expecting to do very much better than covering the cost of their Scottish operations.

Newly announced investment in industry seems to have been American led, with electronics, an almost entirely U.S. owned industry in Scotland, figuring strongly.

The longer sighted have seen a country where industrial performance has outstripped the U.K. average since 1973, where generous Government assistance is available to offset the cost of new plant, where the labour supply is plentiful and where infrastructure in the shape of virtually new airports for the three largest cities and a programme of new road building to make access to the north easier, is constantly being modernised.

The effect of this dualism would appear to be to push Scotland further towards the branch factory economy with all that that implies (dependence on decisions made elsewhere, a lack of senior managerial jobs and so on). Recent work on the company information bank maintained by the Scottish Council for Development and Industry confirms this view.

In 1973 the proportion of Scottish workers employed in manufacturing industry owned by North American parent companies was 14.9 per cent., it is now 16.1 per cent. This rise has been offset by a decline in employment in factories owned by other non-Scottish parents, but the total non-Scottish ownership has remained steady at 59 per cent.

Given that total employment has declined during this period, it follows that the number of firms now owned from outside has increased.

Let us turn back now to the short term and the prospects for Scottish industry over the coming months. It is difficult to get an accurate impression of the trend in output, since industrial production figures are published six months in arrears by the Scottish Economic Planning Department and then only quarterly (compared to monthly, one month in arrears by the Department of Industry).

At the time of writing the most recently available figures were for the first quarter of 1977 and showed a substantial drop in the index from 113.8 in the final quarter of 1976 to 106.3 (1970=100). This seems too large a fall for purely seasonal factors.

Scottish CBI surveys suggest that, if production has not actually dropped further through the year, it has remained fairly sluggish. However, the most recent survey, published at the beginning of this month, suggested that there could be an upturn during the next four months.

Accuracy

The accuracy of predictions by respondents to past CBI surveys should lead us to look on this result with caution, but there are other factors which support the view that output will rise.

Ordering from the oil industry is picking up again, with three platforms ordered this year and more likely to come in 1978. The exaggerated cycle of massive ordering followed by a long period of order starvation is unlikely to be repeated, at least on the same scale, but the trend in design of structures looks likely to favour one side of the industry—the East Coast steel fabricators—against the other—the West Coast concrete builders, who are now practically out of work.

Shipbuilding on the Clyde should receive a fillip from the Anglo-Polish order signed last week. The prospects for engineering and electrical engineering look reasonable and construction should start to benefit from the easier position on housing finance, the relaxa-

CONTINUED ON NEXT PAGE

Ferranti equipment for the offshore engineering industry which was recently exhibited in Aberdeen

Star billing for oil

THE ATTEMPT by offshore operators to find substantial reserves to the west of the Shetland Islands may have proved disappointing so far, but this has failed to dampen the enthusiasm that still surrounds North Sea exploration.

In spite of the many, well-publicised problems, the North Sea is already meeting half of Britain's oil requirements, when viewed on an annual basis. The industry and Government are on course to make the country self-sufficient in energy by 1980 or, quite possibly, by the second half of 1979. This self-sufficiency should last well into the 1990s and conceivably into the 21st century if large new reservoirs are discovered and exploited.

On the production side, the Occidental group has just brought on stream its Claymore Field to join the first seven commercial oil fields in production. British National Oil Corporation's Thistle Field should be in production within the next month or two. All told there are 18 fields in the U.K. sector of the North Sea which are either on stream or under development. They include the big Statfjord discovery which straddles the U.K./Norwegian median line, Texaco's Tartan Field and Mesa Petroleum's inshore Beatrice Field. These three are noteworthy as much for their special problems as for their contribution to Britain's oil flow and balance of payments.

Enormous

Statfjord, for instance, has been described as the biggest marginal field in the North Sea. Its recoverable reserves are estimated to be between 2.7bn.-3.3bn. barrels of oil and between 2.2-3.8 trillion cubic feet of gas (around 11 per cent. of the reserves lie in the U.K. sector). But the cost of extracting the hydrocarbons is also enormous. Earlier this month, Statoil, Norway's State oil Corporation, announced a further increase in the cost, to around £4.2bn., a rise of almost one-third on the previous year. What is more, Statoil feels that eventually the bill could well be much higher.

The field is expected to start producing oil in 1979. Statfjord will not only give the U.K. oil figures a boost but it could also help to underwrite the construction of one of the most ambitious gas-gathering systems in the world. Within the Department of Energy there is a good deal of support for a gas collection network not only based on the existing Frigg line and the Brent pipeline now under construction but also on a new trunk line to run close to the U.K.-Norway boundary. Such an ambitious scheme could cost a total of £5bn. Its prospects would be enhanced if the Norwegian authorities agreed that gas from Statfjord and other fields on their side would be included.

Texaco's plans for developing their Tartan Field highlights the way that the Government is becoming increasingly involved in all aspects of North Sea oil and gas production. State participation agreements now signed with 19 companies provide a basic framework for industry/Government consultation and co-operation. BNOC's growing influence in offshore activities has another bearing on the way companies operate. But there are other, perhaps more subtle, ways in which the industry can be directed. One concerns equipment supplies.

The U.K. offshore industry has agreed to give British manufacturers and suppliers a "full and fair" opportunity to compete for contracts. This is particularly important in Scotland where between 55,000 and 65,000 people are employed directly and indirectly in work related to offshore development. Such a policy has undoubtedly helped U.K. suppliers to gain the majority share of North Sea contracts.

Texaco, however, wanted to order its Tartan production platform from a French company, Union Industrielle d'Entreprise. Apparently UIE entered a bid of £22m. for the basic platform structure, some £5m. less than the nearest rival, Redpath Dorman Long of Methil, Fife.

In the end Texaco agreed to split the contract between UIE and RDL. There were no published complaints; Texaco kept on the right side of the Government; UIE kept an important foothold in the North Sea; and RDL was able to recruit 550 assembly workers, many of whom had been laid off earlier this year. Furthermore, UIE and RDL forged important links which could be useful to the Scottish yard once orders start arising in the French offshore sector.

Mesa Petroleum's Beatrice Field close inshore in the Moray Firth is significant because it brings into sharp focus some of the environmental and commercial aspects of field development. The oil partnership wanted to exploit the field by means of several small platforms and an offshore loading system. It saw its oil production being ferried ashore in tankers. The inshore fishermen, largely supported by environmentalists, local councillors and—lately—the Government had different ideas. After a series of reports, some of them conflicting, the Mesa group is being urged to build a pipeline from the field to a landfall. This will present some technical problems, in view of the treacle-like nature of the Beatrice oil, but it should overcome most of the stated environmental complaints.

The Beatrice Field contains an estimated 160m. barrels of recoverable reserves, oil which might well be processed in the proposed Cromarty Petroleum refinery. Mesa has recently tested a flow of 5,200 barrels a day in a well drilled on the Beatrice structure by the Penrod 65 exploration well.

The group is now evaluating the data to see if the commercial prospects of Beatrice have been enhanced. The initial feeling, however, was that the test confirmed rather than improved the reserve estimates. In the meantime Penrod 65 is drilling an exploration well near the south-west corner of block 11/30 which contains the field.

This year there has been no let-up in the rate of offshore drilling. It has been quite common to find 26 or 27 rigs in operation at any one time, well up to previous record drilling rates.

Much of the work has involved appraisal drilling, of course. However, there have been several interesting finds to suggest that the Department o[f] Energy is being no more tha[n] realistic—some say conservativ[e] —in estimating that total [...] reserves lying on the U.K. Continental Shelf are betwee[n] 3bn. and 4.5bn. tonnes.

Among the discoveries mad[e] this year are at least two ga[s] reservoirs, one on Transocean block 16/26 and the other o[n] British Petroleum's souther[n] North Sea block 48/7. Continen[-]tal Oil has struck a gas conde[n-]sate reservoir on block 15/30 [as] well as oil near its Murchiso[n] Field on block 211/19. To th[e] North East of Shetland Philli[ps] found oil on block 210/15.

However, much of the e[x-]ploration interest has be[en] centred west of Shetland whe[re] the oil industry has been ho[p-]ing to open up an important ne[w] production area. There h[as] been more to encourage the i[n-]dustry than in the Celtic S[ea] to the south but still compani[es] are a long way from provi[ng] the West Shetland Basin as [a] major oil-bearing area. A fi[nd] by British Petroleum 206/[...] seemed to momentarily raise e[x-]pectations and a recent ne[w] commercial gas condensate di[s-]covery by Texaco on 205/1 h[as] helped to keep hopes alive.

Terminal

The area is particularly attra[c-]tive because it is so close [to] the big Sullom Voe oil termin[al] due on stream next year. As [it] is the terminal will account f[or] a large part of Britain's o[ff-]shore oil flow, handling cru[de] from the cluster of fiel[ds] around Brent and Ninian.

There can be little doubt th[at] Scotland will play an eve[r] growing part in the producti[on] and handling of Britain's [oil] wealth. The names of the fiel[ds] —Thistle, Tartan and the like— bear witness to this Scottish co[n-]nection. Whether all this giv[es] Scotland a special right over t[he] rest of Britain to tax and contr[ol] oil supplies is a matter [for] wider political debate; a deba[te,] incidentally, that oil compan[ies] take seriously.

However, there is perhaps [a] more curious factor concerni[ng] the Government's attitude to t[he] offshore oil flow and its [un-]doubted impact on the econo[my.] North Sea oil production is [on] schedule; it is quickly build[ing] up to that all-important s[elf-]sufficiency level. And yet, o[nly] now are senior Governm[ent] Ministers sitting down to wo[rk] out how this oil wealth shou[ld] be handled. Chancellor, [Mr.] Denis Healey and Mr. Antho[ny] Wedgwood Benn, Energy Sec[re-]tary, have just produced a [...] of options but the Governme[nt] is still some way from plotti[ng] an economic course. If [the] Energy Department foreca[sts] suggest self-sufficiency in [...] will last for only 15 years, the[re] is limited time in which [to] formulate and implement t[his] particular piece of econom[ic] strategy.

Ray Daft
Energy Correspond[ent]

DIRECT EMPLOYMENT IN NORTH SEA OIL ACTIVITIES

Highland	7,400
Shetland, Orkney and Western Isles	700
Grampian	11,500
Tayside	1,600
Fife, Central and Lothian	2,700
Strathclyde	3,100
TOTAL	27,000

Source: Dept. of Energy and Dept. of Employment.

North Sea

CONTINUED FROM PREVIOUS PAGE

tion of the restrictions on local authority spending and the Chancellor's mini-budget boost —£52m. of which is destined for Scotland, although not until the spring.

Car production at Chrysler's Linwood factory should go on increasing, as the company's new small car finds its way on to the market, but success depends on solving industrial relations problems as well as on selling. Leyland is also expanding output at its commercial vehicle factories.

The first three-quarters of 1977 saw a number of major closures and collapses. Scottish Cables, part of BICC, is to close with the loss of 435 jobs and JBE Offshore at Clydebank has been put on a care and maintenance basis. But the ordering of the Drax B power station saved Babcock and Wilcox and buyers are expected to be found for two firms now in liquidation — Glenfield and Kennedy at Kilmarnock and Scottish Timber Products at Stirling.

However, if output rises during the coming year, it is unlikely that there will be a corresponding fall in unemployment. There is evidence to suggest that industry has considerable labour capacity in hand. Unemployment (176,900 in October, or 8.1 per cent. on the seasonally adjusted figure) could actually rise during the first part of 1978.

Indications

The recession has seen considerable shedding of labour in many parts of Scottish industry and the indications are that more is to come. NCR at Dundee has steadily cut its workforce over the years from 6,000 to 1,400 and has announced a further 400 redundancies to take effect in March. Singer's largest sewing machine manufacturing plant in Clydebank has also said that it intends to reduce its labourforce by more than 1,000 during 1978. Natural wastage and early retirement will be used wherever possible, but the company has said that some redundancies will be inevitable.

Considerable redundancies are also expected in the steel industry when the British Steel Corporation reveals its proposals to cut loss making operations. Many of the closures already announced for Scotland are likely to be brought forward.

Overall loss of jobs in manufacturing during 1977 has been estimated at around 5,000, while service industries have lost a further 10,000, two-thirds in local Government. This downward trend should slow, but it will be a while before unemployment totals stabilise.

David Bell, Editor of the Fraser of Allander Institute's quarterly Economic Commentary, estimates that although output from Scottish industry could grow by as much as 3 per cent. next year unemployment could go on rising in the short-term to reach 200,000 by January.

"At the Scottish level it seems that on average you would expect a six months lag between change in output and change in employment because initially employers are not certain whether the change in production is going to be maintained or not.

"At the moment there is a tremendous amount of excess labour capacity and it would be fairly easy to expand output."

Mr. Bell has been among the most pessimistic observers of the Scottish labour market over the past year, but, sadly, his pessimism has been amply vindicated. He points out that while demand for labour is depressed, the supply is rising as children born during the boom birth rate period of the late 1950s and early 1960s leave school and begin to look for jobs.

"Population forecasts indicate that the supply of labour will continue to expand between now and 1980. While the supply is rising, we cannot be optimistic about the level of unemployment coming down."

First regional policy, and then the effects of the oil industry, have fundamentally altered Scotland's economic position with the rest of the U.K. An unemployment rate of more than double the U.K. average was commonplace during the 1950s and early 1960s; now it is less than a third above.

Scotland is no longer the poor relation of England, although in absolute terms the country is worse off than it was 20 years ago. The economy is now more open, more diverse and more modern. Emigration is falling. The country still has an overproportionate share of outdated and uncompetitive industries, but far less so than previously.

مكرامن الأصل

A revival on the platforms

IE PAST few months there been encouraging signs the Scottish production orm fabrication industry is r a long-awaited, if still st revival.

ployees at the Highland cators' yard at Nigg Bay been kept in work thanks urther order from Chevron partners in the Ninian At Methil, Redpath Dor-Long has been recruiting sembly workers following o's decision to split the n Field platform order be-n the Fife yard and Union trielle d'Entreprise.

explained elsewhere in survey, the Tartan order obtained following a good of wrangle and Govern-involvement. That said, the act must be regarded as a through for the RDL yard. fabricator, a subsidiary of h Steel Corporation, was d to lay off 800 men in when its workload ran out. months the facilities were in a state of readiness by and maintenance team. sad reflection on the state platform market that the has been happening at a ber of other construction in Scotland and on Tees-

ontract

David Waterstone, BSC r and on the new execu-in charge of the Corpora-North Sea developments, ed the contract, worth in s of £10m., as a "great new Indeed it is, for its tance ranges wider than artan work—for RDL this volve the construction of our legs, the deck support ture and the 26 buoyancy

joint venture with UIE up opportunities for more orders, both in the h Sea and in French off-waters. This could be a pact for both the U.K. French offshore industries about to step up their ration effort in the tern Approaches now that U.K./French boundary dis-has been all but settled. tform builders must look wider than the U.K. Con-ntal Shelf if they are to their order books and gain there are encourag-signs. McDermott's yard at Ardersier is already working on two export orders—one for Petrobras in Brazil and another for Placid in Holland—in addition to its important new contract for the North Sea Murchison Field. There are hopes for further U.K. orders from South America.

In the meantime eyes have been turned to Russia with the arrival last week of a delegation seeking expertise and equipment for a \$150m. (£82m.) oil production platform fabrication yard close to Baku in the Caspian Sea. The Russian team, led by Mr. Viktor Mischevitch, the first deputy oil Minister visited the Forties Field installations and two Scottish platform yards: McDermott's at Ardesier and Highland Fabricators at Nigg Bay.

Either yard could be involved, indirectly, in the construction of the Russian facilities. For it appears that there are two main contenders for the contract to supply technical know-how. One is the International Offshore Consortium, comprising British Petroleum, Wimpey and the U.K. offshoot of Brown and Root. Wimpey and Brown and Root are behind the Highland Fabricators operations at Nigg Bay. The other *main contender is thought to be* an American/Japanese group comprising McDermott and Mitsubishi. This explains why the Russians visited the Ardersier yard.

It is thought that the amount of work which could be placed in the U.K. could be worth as much as \$75m. (£41m.) for apart from expertise the Russians may also buy certain items of equipment.

Looking at ordering prospects nearer to home there is a clutch of new North Sea platform contracts which are likely to be placed within the next year or so. Two or three will probably be needed by the Mesa group for the development of its *inshore Beatrice Field* although the structures will be small by North Sea standards; the water depth above the Beatrice Field is only 150 feet. BP's Buchan Field will also certainly be exploited although here there will be no permanent platform (at least at the outset). The oil will be extracted by a semi-submersible rig in a similar manner as on the Argyll Field.

The more traditional types of production platforms are likely to be ordered by Shell and Esso for Fulmar; by Phillips for Maureen; by Amoco and Conoco for Hutton, and by British Petroleum for the northerly Magnus Field. There are a number of other probable developments, *as pointed out by a* report published in September by the Political Economy *Department* of Aberdeen University. (Revised Estimates of the Demand for Production Platforms, 1977-82: G. A. Mackay, £2.50.) This report states that orders could be placed for the Alwyn, Brae, Tern, Andrew, North Cormorant, Crawford and Thelma Fields in 1978 or 1979 although recent information on some of these discoveries raises doubts about such an encouraging forecast.

The main conclusion of the *University's paper is* that it is likely there will be another sharp upsurge of orders in the period 1977-1980, similar to the peak period of 1973-75, but that thereafter the annual requirements for platforms will be much smaller—at most three a year. All told, the report foresees 23 orders being placed in the 1977-80 period.

PLATFORM ORDERS TO DATE*

Field	Builder
Argyll	Converted exploration rig
Auk	RDL
Beryl	Norwegian Contractors (Norway)
Brent (4)	McAlpine; Norwegian Contractors (2); RDL
Claymore	UIE (France)
Cormorant	McAlpine
Dunlin	ANDOC (Netherlands)
Forties (4)	Highland Fabricators (2); Laing Offshore (2)
Frigg (7)	Howard Doris (Sweden); McAlpine; Norwegian Contractors (4); UIE
Heather	McDermott
Montrose	UIE
Murchison	McDermott
Ninian (3)	Highland Fabricators (2); Howard Doris (U.K.)
Piper	McDermott/UIE
Tartan	RDL/UIE
Thistle	Laing Offshore

* Excluding southern sector of the North Sea and the Statfjord Field which is predominantly in Norwegian waters.
Source: Aberdeen University, Political Economy Department.

Forecast

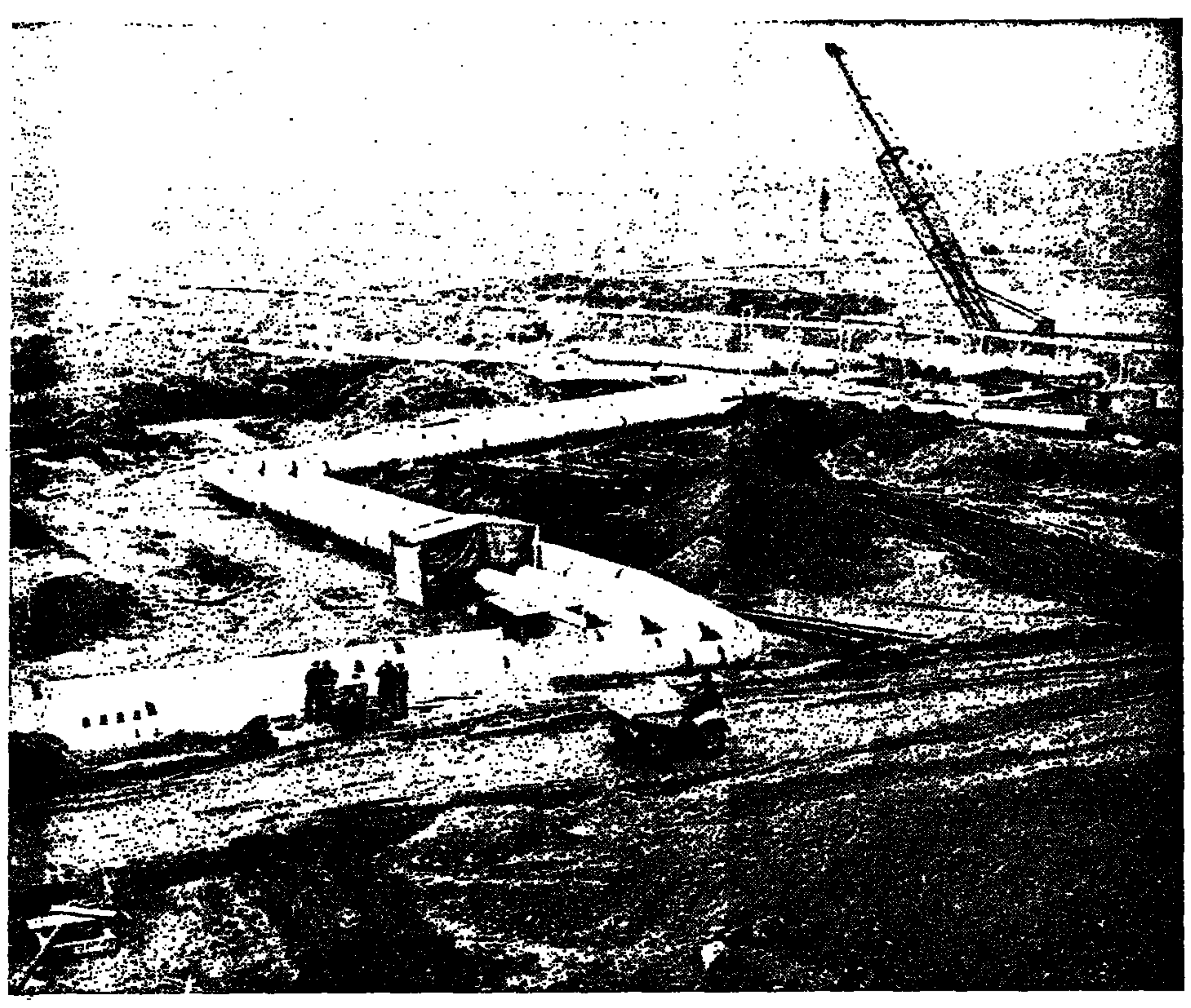
If the forecast is right—and it does appear to be an optimistic one—then much of the spare capacity will be absorbed. The eight U.K. yards have the capacity to handle 11 large structures at any one time. At the moment they are building five and a half platforms (if the RDL Tartan contract can be counted as half). Three of these units are being constructed by one company, McDermott, which has nominal capacity to handle one large structure at any one time. Four of the fabrication sites—Hunterston, Graythorp, Ardyne Point and Portavadie—are with*out any work at all while an*other, Howard Doris's Loch Kishorn site, is now completing *its remaining* Ninian central platform contract.

Howard Doris specialises in *building concrete structures so* it must be concerned at recent industry reports that have suggested that most of the orders to be placed in the next year or so will be for steel structures. Of those on the "likely" list, only BP is said to be keeping open the concrete option for its Magnus development.

With this in mind the Department of Energy is now looking closely at the future of two Government-backed sites, Hunterston and Portavadie, both of which were designed to build concrete platforms and both of which have yet to receive their first orders.

The Department and the Scottish Office have been keen to maintain the facilities in order that the U.K. platform construction industry should be able to offer a full range of designs when the offshore development business picks up. After all they were sanctioned in the first place because the Government was concerned about concrete platforms for the North Sea being ordered in Holland and Norway.

However, the Government has been forced to review its attitude following a report by the Public Accounts Committee. This stated that the annual maintenance costs of £400,000 for the two sites were a drain on public funds. It urged that an early decision should be taken on the future of the two sites.



Construction of the Sullom Voe terminal on Calback Ness in Shetland

Control

The Government has more control over the destiny of Portavadie than Hunterston. Portavadie was built with Government money at a cost of £14m. The lease is vacant following the departure this year of Sea Platform Contractors. The British-Dutch ANDOC consortium still holds the lease on Hunterston which was developed with £6m. to £7m. of Government guarantees. There is some doubt about whether the lease will be renewed next year.

Some reduction in the U.K. platform building capacity may not be a bad thing, if it helps to secure a more stable level of workload in the remaining yards. Through little fault of their own the young construction companies have been forced to lay off thousands of men; *many of them highly* skilled, attracted into what was seen as a new, growth industry.

Over the next year or so the companies should have an opportunity to attract back many of the redundant workers, as in the case of RDL. It is to be hoped — as the companies themselves indicate — that the industry will use this opportunity to consolidate its position, expand into the export markets, develop new oil production facilities and, perhaps, diversify to provide a more permanent *prospect for its employees.*

Ray Dafter

The road to devolution?

AFTER THE House of Commons votes of two weeks ago, it is tempting to think that Scotland's political future is settled. The Government's majorities on the second reading of its new devolution Bill, and on the timetable motion essential to prevent it from being talked out of Parliament, were so unexpectedly large that they seemed to wipe out the ignominious defeat of February, when devolution Mark I met its premature end.

But to fall into that temptation would be to ignore the strength of the opposition to devolution, the changes that could still be made in the present proposals and the possibility that accidents could still happen.

Let's take that last point first. For a Scottish Assembly to be set up in Edinburgh the Scotland Bill has to complete all its Parliamentary stages within the present session and has to be endorsed by the Scottish electorate at a referendum next autumn.

Rash

Mr. Callaghan's administration may be committed to seeing devolution through to the end and at the moment may seem secure enough to do so. But it would be a rash observer who made a prediction of the certainty of that happening. If the Labour Government was forced into a General Election through industrial confrontation or some other crisis before the Bill has received the Royal Assent, then devolution would be put off for at least a year.

The return of a Conservative government with a working majority would delay the assembly even longer—perhaps for ever. Tory policy calls for an all-party constitutional conference to precede the introduction of agreed proposals. Aside from the difficulty of reaching any such agreement, there is the question of whether the Conservative Party has any real commitment to devolution, or is merely paying lip service to it.

Another possibility is that the referendum could go against the Government's confident expectations and reject the Assembly. Such a verdict would kill devolution for the foreseeable future and severely damage the Government's credibility.

At the moment it looks to be a remote prospect. Opinion polls have consistently shown majority support for some scheme of devolution, although the last survey to ask a question along those lines was more than a year ago. But to assume that nothing can change over the next ten months would again be rash.

The referendum campaign itself will be hard fought, possibly on the scale of a general election with the major parties putting all the resources they can muster into the fight. The wide gulf between Labour and the Scottish National Party—both of whom will be campaigning for a "Yes" to devolution—is likely to rule out a formal coalition although individual pro-devolutionists may speak on the same platforms.

On the "No" side, the Conservatives will be joined by the Scotland is British campaign, nominally a group with trade unionists as well as leading industrialists on its executive committee, but which is in fact mainly supported and heavily financed by the management side of industry.

The issues will be a greater say in the government of Scotland and control over the companies outside the United already devolved civil service departments of St. Andrews House against another layer of unnecessary bureaucracy and expense and the slippery slope to separatism and the break-up of the U.K.

But before the referendum is reached there will be some lesser battles fought inside and outside parliament on details of the Bill — details which could have a fundamental effect on the shape and character of the assembly and thus on the future of Scotland.

One of the most important will be over the method of electing the 150 assembly members. The Government's present proposal is that voting should be by the first-past-the-post method now used in national and local government elections. But an all-party group, the Campaign for a Representative Assembly, has already announced that it intends to put down an amendment calling for a change in the voting system to proportional representation.

This change could drastically affect the political colour of the Assembly. Since 1974 there has been little between the three main parties — Labour, Tory and SNP—in electoral support. Poll after poll has shown them neck and neck with around one third of the vote each. Yet an election on the first-past-the-post system could give the party that happened to be a few points ahead an absolute majority of Assembly seats.

This was clearly illustrated at the October 1974 general election when Labour finished only 6 per cent. ahead of the Nationalists in share of the vote, yet took 41 of the 71 Scottish parliamentary seats. The SNP received more votes than the Conservatives, yet won fewer seats, 11 against 16.

Under the proportional system it is likely that (as things stand at the moment) no party would emerge from the Assembly elections with overall control. Coalitions or some looser form of power sharing would be essential.

Amendments

The Government has indicated to the Liberals that it will allow Labour MPs a free vote on proportional representation, but even this may not be enough to secure a Commons majority for the amendment, unless the Shadow Cabinet decide to support the move. However, there could be a majority in favour of PR in the House of Lords and on its return to the Commons the amendment could receive a less unfriendly welcome from MPs.

Amendments are also likely to be proposed to change the way the Assembly is financed. The Government, while saying that it is sympathetic to allowing the Assembly to raise some of its own revenue through taxes rather than depending entirely on the block grant allocated by Westminster, failed to find a scheme which would be workable and cheap.

One of the fears of anti-devolutionists is that giving the Assembly tax raising powers would merely mean paying higher taxes in Scotland than elsewhere in the U.K. The SNP counters this by saying that, if the Assembly was responsible for all revenues raised in Scotland, including those from North Sea oil, and paid Westminster a block grant for the centrally provided services, then Scottish taxes could in fact be cut.

The balance of powers allocated to the Assembly and those remaining within the responsibility of the Secretary of State for Scotland could also be a point of controversy, particularly in regard to economic policy. The argument there will turn on whether to give the Assembly the ability to vary the incentives offered to incoming industry would lead to bidding-up between depressed areas of Britain.

The role of the Secretary of State as liaison between Edinburgh and Westminster and policeman of the Assembly's powers may also become important, with one side arguing that to give the Secretary of State too much ability to intervene would lead to conflict and instability, and the other saying that on the contrary the same result would flow from not supervising the Assembly sufficiently.

Ray Perman

Electronics leads the field

SCOTLAND HAS the greatest concentration of electronics companies outside the United States and even there only two areas, Southern California and Massachusetts, surpass it in density and diversity.

After 25 years of mainly inward investment, the industry has evolved from unrelated assembly operations established in Scotland to take advantage of financial incentives and a good labour supply, to become a technologically self-sustaining industry in its own right with a research and development capability, working at the frontiers of electronic development.

It is undoubtedly the fastest growing industry in Scotland with a total labour force increase of 11,000 from 1965 to 1975, despite a recession in the industry worldwide, and in spite of the revolution in manufacturing techniques since then, which sent productivity soaring and should have sent workforces tumbling.

Output has risen dramatically with exports normally accounting for 75 per cent. of production, in some cases well over 90 per cent. Instead of a manpower surplus, there is a severe shortage of labour at all levels but particularly at the technician and graduate engineering level.

The shortage is so serious that it is restricting growth, although by no means restraining companies from investing very heavily in a new phase of expansion, much of which is based on the indigenous R and D work of the last few years.

New projects already started by a handful of the major companies—Ferranti, Digital Equipment, MESL, Hughes Microelectronics, Motorola Scientific Atlanta among them—will account for a further 3,000 new jobs over the next two to three years.

Success

The success of the industry has been spectacular in the last decade, but is now entering a crucial phase which will decide whether Scotland's electronics industry can match and surpass the two American centres.

The weaknesses are well known and well understood, but are by no means easy to overcome and to some extent remedies lie outside the industry. The biggest gap in the industry's base is the relatively few electronic component manufacturers. Part of this has been due to the way the industry was founded. Assembly operations were set up using established manufacturers in the United States and it has been difficult for new companies to break into the market although there are signs that in some areas, such as circuit boards, new Scottish based companies have been highly successful. There is also a good indigenous base for precision machining.

A more serious constraint on component production has been the investment climate in the U.K. generally, which makes starting any new small company difficult. In electronics, technology is often so far beyond the knowledge of the financial agencies that raising risk capital is particularly difficult.

The pace of growth in the industry has also militated against encouraging young executives taking the leap into the dark by striking out on their own. The shortage of skills is also so severe that promotion is quicker, raising the stakes on the possibility of failure, while the taxation system has caused a constant drain abroad of men who might well have started their own companies.

Against this background, it is surprising that small companies are being started. They are, and they are usually successful, but there are not nearly enough to give the electronics industry the total vertical integration it will need to take off.

This is largely outside the scope of electronics companies themselves and is a major challenge to the Scottish Development Agency whose remit could well have been formulated with the electronics industry in mind. A great many of the investments they have made in their first two years of operation have been in high technology industry—although none so far in the vital components area.

The Agency [illegible] however [illegible] product [illegible] most interesting [illegible] a loan of a mere [illegible] to the small Livingston company Diagnostic Sonar Limited. The company was formed by two engineers at Nuclear Enterprises who wanted to develop real-time ultra sonic medical equipment. They started only a year ago and have built up a turnover of £300,000 a year with exports to 48 countries. The technology is ultra sonic, but of acoustic surface wave technology electronics and the project is typical of the type of spin off from the interaction of a diversity of specialist engineering and electronics.

Another project being assisted by the Agency is the expansion of MESL's radar systems division in Linlithgow. MESL is one of the fastest growing electronics companies in Scotland, producing security systems, and radar equipment while its research programme is pioneering the development of acoustic surface wave technology.

The Agency has invested £325,000 in the company which allowed the expansion of the radar division to be brought forward by about 18 months and an expanded programme of development on acoustic wave[illegible].

The expansion will mean the workforce will have to be increased from 350 to about [illegible] —if skilled workers can be found.

One of the great strengths of the industry in Scotland is the links which have been forged between companies and universities, with Edinburgh University's Department of Electrical Engineering tak[illegible]

CONTINUED ON NEXT PAGE

Major banks move in

HOUT the ups and of the economy, the shown in Scotland by K. and foreign finan- stitutions seems to unabated. By early r, when Lloyds Bank s first Scottish branch burgh, all of the "Big London clearing banks directly represented in Some, like National ster and Barclay's ional, have three in Glasgow and Aber- well as in Edinburgh.

s the most intriguing the arrival of the Mid- nk which opened its gh branch earlier this Unlike the others— with no stake in a bank and Barclays and with minority holdings nk of Scotland and the nk of Scotland respec- Midland is 100 per cent. f the Clydesdale Bank. atement explaining the bank justified it by to its corporate custo- g our own name, if ." The implication is that its rivals' Scottish has forced the hand and even at the risk of light choking feeling he executives of Clydes- e smallest of the three clearers.

r the growing interest competition from—the pur." Mr. John Burke, g director of the Royal nd current chairman of ottish Clearing Banks' tee, thought the Scots tle to fear, though he the London banks to be ptimistic" in their pur- the North Sea trail.

ls

t from their big North an rivals, such as the of America, Chemical Citibank, Manufacturers r and the Bank of Nova Scotland's foreign con- now includes major cial banks from Europe, iddle and Far East, a f 25. Also fighting for s and the privilege to Scotland are the Co-op s well as 11 merchant four of them Scottish, organised and conse- more powerful trustee banks, the insurance ies, building societies sion funds.

of the larger U.K. pen- ds — British Rail and — have also cast their rth of the Border by for leading Scottish ent trusts, the British ent Trust and Edin- nd Dundee respectively. rmer, with assets of 20m., at recent valua- mong the few in Scot- th its own Board not investment managers.

London clearers are somewhat "over-opti- m their view of North ckings, the Scottish have certainly been on by the challenge of ell as by the competi- ir services to corporate s have been strength- oil specialists — the Scotland has even set irate oil division. Their to North Sea opera- tions accounts for almost 11 per cent. of their total advances (according to the banks' evidence to the Wilson Committee of Inquiry), and in general they have been "internationalising" their activities to a considerable degree.

This process is evident in three specific but inter-related areas: the expansion of foreign business in general, including participation in consortia lending; a more than 30-fold increase in foreign currency deposits (and almost as large an increase in lending) in five years; and the establishment of overseas branches and representative offices as well as the acquisition of holdings in foreign institutions.

In their international activities, Scottish banks have gone far beyond their participation in North Sea exploration and production financing such as the funding of BP's Forties Field or Occidental's Piper-Claymore Fields. The Royal Bank of Scotland, for instance, is a member of a U.S.-led consortium organising a loan for the National Bank of Hungary and of another, also U.S.-led, to enable Ferranti to repay a high-interest National Enterprise Board loan as well as boost its working capital. The Bank of Scotland is among the main partners of a consortium raising finance for a methanol plant in the Soviet Union.

In their evidence to the Wilson Committee the Scottish banks show that between November 1971 and November 1976 their foreign currency holdings rose from £20.7m. to £621.7m. and their foreign currency lendings from a similarly low level to £581m. (By October last foreign currency deposits had risen to nearly £700m., or 19 per cent. of all deposits—a somewhat lower proportion than in the case of the London clearers but a substantial advance nevertheless.)

Both the Royal Bank and the Bank of Scotland have set up representative offices in New York in recent years, the former also in San Francisco and Hong Kong. All three have similar offices in Houston, the "oil capital" of America. The Bank of Scotland has a 15 per cent. stake in the International Energy Bank which arranged the funding of Piper-Claymore among others; the Royal Bank has a substantial holding in a Singapore finance house, having recently shed a loss-making stake in an Australian one.

The international aspect of their portfolios are of course among the attractions which prompted the British Rail and NCB pension funds to bid for the Scottish investment trusts.

Involvement

About a third of the total assets of U.K. investment trusts are held by Scottish trusts, which have a traditionally strong involvement in U.S. stock. The experience of the past year has however induced most of them to review their U.S. involvement. The British Investment Trust, for instance, reduced its stake in the six months to September 30, 1977, from 29.2 per cent. of the portfolio to 24.5 per cent. while increasing the U.S. share from 55.2 per cent. to 63.3 per cent.

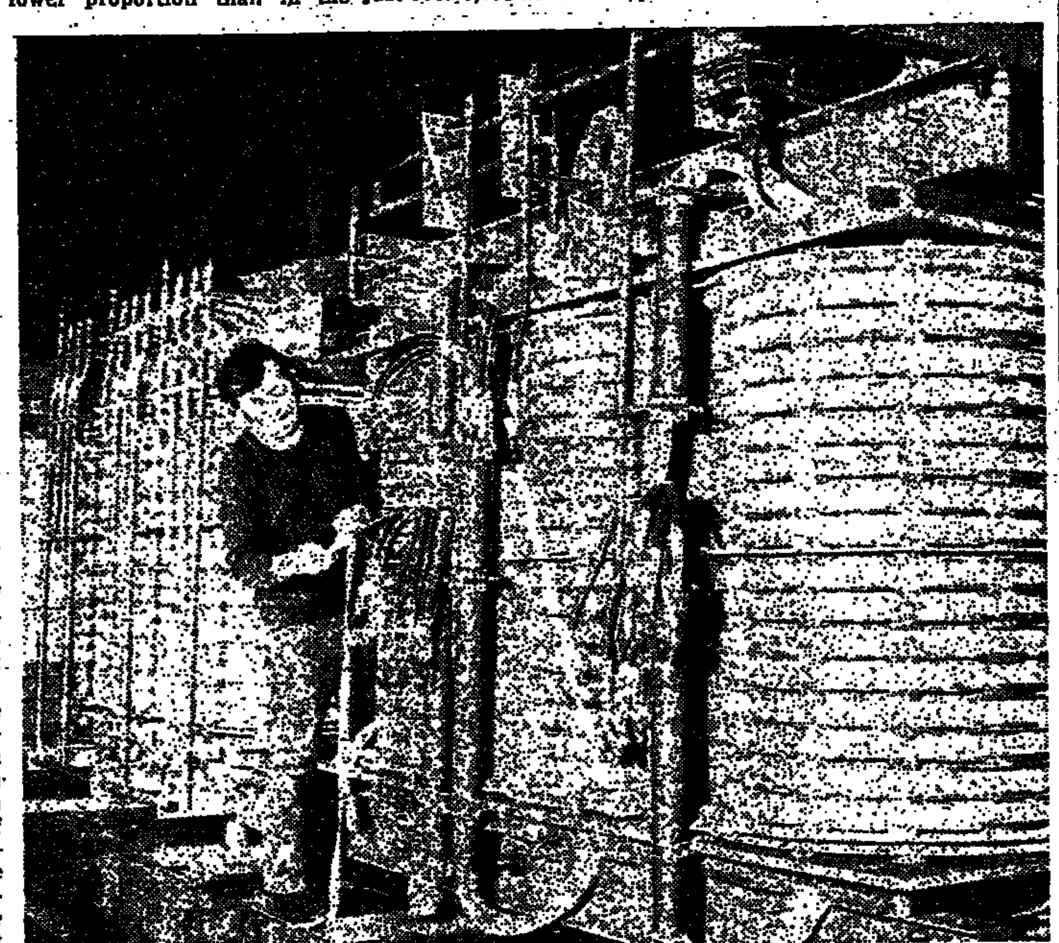
Another significant change in the Scottish financial scene—though it affects building societies mainly—is the growing emphasis on private house-building. Not so long ago as much as four-fifths of Scottish houses were built by public bodies such as local authorities, new towns and the Scottish Special Housing Association. Of just over 6,000 houses completed in the third quarter of 1977, 2,500 were privately built; even more significant, of the 5,700-odd houses started during the quarter 3,500 were in the private sector.

This is obviously having a major influence on building society lending. As Scotland is poor in terms of home-based building societies, the large societies from other parts of the U.K. are having to fill the gap. Mr. Fuller M. Osborn, deputy chairman and managing director of Northern Rock, estimates that in the past three years lending in Scotland has exceeded funds raised there by almost £100m., certainly a reversal of the across-border flow of the 1950s and 1960s.

So the more than passing interest expressed in U.K. constitutional developments by the building societies as well as other financial institutions is understandable. While the Government's devolution plans merely arouse mixed feelings—objections centre on the extra cost and bureaucracy aspects rather than on devolving political power from the centre—there are genuine fears about the possibility of a break-up of what is an integrated financial system.

It is these fears that the Scottish National Party is attempting to allay and, not unnaturally, the Labour and Conservative Parties as well as leading industrialists are equally vocal in trying to reinforce. For all that, even the possibility of a self-governing Scotland may have been one factor, albeit a minor one, in the recent surge of important financial institutions to acquire a foothold north of the Border. It is not one to prove — or disprove — easily either way, bar the odd hint or nod by interested parties.

Andrew Hargrave



Systems transformers at Bonar Long's electrical engineering premises in Dundee

ectronics

CONTINUED FROM PREVIOUS PAGE

Professor J. H. Col- Edinburgh University a director of MESL one of the leading of marrying the aca- orld directly to the the industry. He says: re 45,000 people work- e industry within a 30 us of this university convinced that the ndustry can and will a world-class centre. ot there yet, but with ity and diversity of stry we have here, is not far from be- fully self-generating d I want to see this it playing its full part rch centre, generating ection of ideas and of providing the man-

important to under- reasons for the success ectronics industry in California and Massa- They have a concen- of companies and both of which apply d, and they have the c of component sup- o are able to produce elop new products for specific applica- area Scotland is weak the key in both areas earch and development provided by, for in- e Massachusetts Insti- 'echnology."

the British Govern- rediliction for sharing out research grants as widely as possible, it is an uphill struggle to get enough resources for a concentrated research effort. The University has pioneered research into acoustic wave technology, but has never had enough resources to set up the pilot manufacturing capability necessary to develop it. There are hopes that their current request for £250,000 over four years from the Science Research Council will be met, but in an industry where the rate of change in technology is so rapid, the time needed to extract money from government sources is frustrating.

On the manpower issue, Edinburgh University has been making a concentrated effort in schools to win recruits to the industry and it is working with a 40 per cent. increase in the number of students this year against 1975. The vast majority of students are from Scotland and by a deliberate policy, courses are being geared to the particular needs of the industry in Scotland. The increasing output of graduates will make a significant impact on the shortage of graduate electrical engineers by 1980, but it still leaves a shortage of technicians. Most of the bigger companies have their own training programmes, but a problem emerging is that technical colleges have been offering degree courses and the number of technicians has dropped.

Although there is still very large foreign ownership, the evolution of the industry in Scotland has led to growing autonomy with many plants achieving virtually the status of separate companies.

Hewlett Packard at South Queensferry, who have developed a complete new range of communications test equipment, is exporting world-wide and even into the U.S. As the most profitable company in the Hewlett-Packard Group, the parent Board is quite happy to give the Scottish plant its head.

There are still some problems attached to outside control. Honeywell's computer plant at Newhouse is suffering from the parent company's determination to break the IBM stranglehold in Europe through its merger with French interests. Under the merger agreement between Honeywell-Bull and CII two years ago, the French company was given the right to manufacture the big level 66 computers which are produced at Newhouse. They have now taken up that option and because of the marketing split in Europe, the Newhouse plant will be left with only the U.K. and Italy in Europe.

Sales in the U.K. have risen since the Government relaxed its preferential treatment of ICL, but the French decision will at the very least restrict the growth of the Newhouse plant and at worst could endanger its future in the long term.

This sort of thing is fairly isolated, but serves as a reminder of the problems of overseas control. In contrast, Burroughs at Cumbernauld, who went through a traumatic series of redundancies in the early 1970s in the changeover from electro-mechanical to fully electronic machines, has been given the lead design and production responsibility for the company's new range of mini-computers, which is the fastest growing section of the market and underlining the growing strength and reputation of the industry in Scotland, software development for the range has also been concentrated at Cumbernauld. The new B80 computer was developed from research work at Cumbernauld which began virtually from scratch in 1971. The research and development team is now nearly 300 strong, a healthy 10 per cent. of the work-force.

Overall the industry in Scotland is in a strong position with products which cover virtually the entire range of computers, a very strong presence in the military and avionic fields and a growing involvement in electronic instrumentation and in the consumer electronics field. If it can solve its component and manpower problems, it is set for spectacular growth in the next decade.

John Drummond

Fishermen bemused by politicians

A SPECTRE hangs over the Scottish fishing industry which in the eyes of the fishermen has substance and real teeth and its bite is already beginning to be felt despite the record year just ending. The industry — through its main constituent parts, the inshore and trawling organisations — has attempted to grapple with it but to speak its name is to conjure it up: Brussels.

The industry looks nervously over its shoulder to Common Market fishery decisions, or more accurately decisions not taken, many within it bitterly wishing never to have joined in the first instance and fearful of next year when the slog of finally reaching an internal EEC fishing policy should reach culmination.

Meantime the boats go out and return with catches fetching high quayside prices to everyone's satisfaction. But the talking as well as the fishing continues while the North Sea is supposedly only to be fished to 1976 levels, which the British industry observes but strongly maintains have been broken by Common Market countries. Faroes increasingly tightens its restrictions, Norway can reach no agreement with the EEC — and Iceland of course has gone.

The harbour at Oban

Worry

The biting worry is will there be anything left, or anywhere to go, once an internal policy has been decided and the consequent negotiations with countries outside the EEC for fishing rights in their waters — and reciprocal rights in the EEC "pond" — have been settled? The future of conservation measures likely to figure in these decisions-to-be looks bleak after last month's failure to agree on banning fishing for Norway pout with its crucial by-catch of immature white fish, necessitating the U.K.'s unilateral ban. Similarly the stop on North Sea herring fishing was agreed, but was immediately chipped away to allow a "small quota" for the French, with perhaps more to follow.

Fishing and the network of ancillary trades supporting it play a key role within the domestic Scottish economy, from the network of employment and companies servicing the country's main trawler fleet in Aberdeen to insuring the virtual survival of smaller communities, both mainland and island, in Scotland's North and West such as Shetland, where fish-related employment is estimated at 30 per cent. of all employment. Just under 28,000 people are employed in Scotland as full-time fishermen and in the ancillary trades, with nearly 16,000 of the total employed in the Grampian Region, that pie-shaped wedge between Aberdeen and Inverness jutting into the North Sea.

Within the U.K. fishing industry the Scottish contribution, especially since the demise of the Humberside Icelandic fisheries, is a staggering percentage. For Scotland, with nine per cent. of the U.K. population, accounted for 42 per cent. of the value of fish landed in Britain in 1976 and 48 per cent. of the volume. In that year British vessels landed 916,225 tonnes at U.K. ports worth £206.4m., with Scotland responsible for 442,261 tonnes grossing £85.8m.

Inability

The figures bid the fear. If the fishing effort must shrink under unfavourable Common Market regulations without the time to restructure the industry to take account of those decisions, and if the fish stocks disappear under combined Community overfishing without proper management and conservation, the Scottish economy will be severely dented and the U.K. fishing industry will tumble. Aberdeen, with its historically sound financial, commercial and trading framework now immeasurably strengthened by the advent of oil, would survive but the smaller communities could count their months of survival on the fingers of one hand.

The effect of the Common Market's inability to reach a long-term policy for its own fisheries, 60 per cent. of which are within the U.K. 200-mile limit, and consequent inability to negotiate from a sound basis with vital "third countries" such as Faroe and Norway, has meant a limp-along policy, with those countries imposing their own restrictions which in turn rebound on the Scottish industry, heavily involved as it is in the fishing territories of those two countries.

Successive restrictions in Faroese waters for the Aberdeen fleet—important to it as Iceland was to the Humber ports—resulted in a drop of 39 trawlers licensed to fish in December 1976 to the present 15, as well as a drop in the total catch from Faroese grounds from between 25 to 30 per cent. plus of the total landed at Aberdeen market to 22 per cent. for January-October this year. More restrictions, increased sizes of prohibited areas and a projected increase of mesh net size for boats working their waters could mean the end of the Faroese fishery for Aberdeen.

Mr. Bob Allan, Scottish officer for the British Fishing Federation, the trawler owners' association, said: "We had built up a good relationship with the Faroes on a two-way basis, and have always felt that. The whole thing is much more difficult now having to negotiate through a third party, the Community. We've spent a year on stop-go, it's totally unsatisfactory with agreements lasting for months only. We have not been able to do anything and the Faroese get more difficult." There was to have been a joint EEC/Faroes working party meeting in November, but of that he has heard nothing, and there should be negotiations in December for the 1978 arrangements. What happens after December 31, he admits, "is in the lap of the gods."

But it has been a very good year, and no one denies it, with record quayside prices reflecting the overall contraction of fish supplies. Total value for whitefish landed at Aberdeen and Peterhead by vessels 80 ft and over — the traditional middle and distant water trawlers, although three-quarters of them now fish home waters—rose by 26 per cent. from January to October this year over the corresponding period last year. The total value of landings by the under-80ft whitefish trawlers and seine net boats, inshore boats which belie their name by ranging far out into the North Sea, increased by 80 and 51 per cent. respectively. The value of all landings in Scotland increased by 47 per cent. over the corresponding period last year.

The Norwegian question mark, however, looms over the inshore fishing industry with its 1,100 boats and 6,000 to 7,000 fishermen, as that of Faroeses looms over the trawlermen. The fleet, with its unique share system of payments rather than contractual wage settlements as on the trawlers, takes a high proportion of its catch from the middle of the North Sea and fishing banks in Norwegian waters. It has been estimated that as much as 60 per cent. of whitefish landed by the fleet is taken from within Norway's 200-mile limit.

Third party negotiations through the Common Market have not, yet again, reached conclusion and broke down in early November to resume later this month. If no agreement is reached Norway is likely to set quotas unilaterally, signalling again the failure of the EEC to negotiate with outside countries, to the ultimate cost of the U.K.

Amid the deepening pessimism, however, a gleam of light shines from the Highlands. The Highlands and Islands Development Board hopes that a n... new fishing initiative at B... clete on the Isle of Lew... the Outer Hebrides, ... £1.7m. is being invested ... new pier and fish drying fac... will entice the British flee... creasingly excluded from ... tional grounds, to delve ... the rich and untapped gro... off the Hebrides. The fish w... supply a factory requiring ... tonnes a year for a gro... export market in dried fis... Scandinavia, Italy and Africa.

Policy

The gleam recedes some... within the total gloom of ... approaching New Year wit... coherent policy emerging f... the EEC. The Scottish fis... industry sticks manfully t... one thin hope but also rat... demand for an exclusive 50-... zone where the coastal Sta... for example, Britain—w... conserve and manage stock... the benefit of its own and ... fishermen.

During past disputes, par... larly over Iceland, fisher... with a tough practicality ... working their own industry ... an engaging wish borne ... frustration that the politic... should get out of it and le... the talking to the fisherm... "Leave six fishermen in a r... and we'd soon have the trou... sorted out," was a common ... heard in Aberdeen.

But "sorting out" is ... politician's prerogative and ... sorting out of the EEC fish ... policy seems destined to rem... firmly locked in the politici... hands. Scottish fisherm... could do worse than bor... Benjamin Franklin's words ... his reluctant compatriots ... America as they tremb... before signing the Declarat... of Independence, and send it ... to Brussels: "If we don't ... hang together, we shall ... tainly hang separately."

Cap Fow...

Petrochemicals woos the planners

VISION of a Scotland d by petrochemical plants ›y the rich resources of id gas from the North Sea ıad a bewitching effect on ıers at both national and levels. Few areas of Wes- Europe have attracted so many proposals during 970s for the development ıtirely new petrochemical lexes, but the promise of lanners' documents is still borne out by any irre- ıle commitments to build 'c chemical industry.

roughout Western Europe industry is trying to live the gathering gloom of g growth rates, plant over- ity and weakening prices n such a mood it is perhaps y likely to respond with enthusiasm to the clarion for major investments in root petrochemical com- s. What is certain is that developments must even- y come to Scotland—it has advantages over most com- ive sites in Western Europe t the pace and scope of such g is likely to be more in with the progress of chemi- markets rather than the r imaginations of some icians and planners.

t undeniably the process is ork. When the industry led its last three-year ding projections it was nt that it expects to be ting an increasing share of nvestment to Scotland—19 cent. by 1979 against only r cent. in 1976—enabling gradually take advantage ccess to supplies of North feedstock.

...cus

ter a number of false starts main focus of attention is firmly on the plans of Shell Esso to build a £435m. gas essing and petrochemical plex on greenfield sites in Shell and Esso, who are loping the Brent field, the est find to date in the U.K. r of the North Sea, have en Mossmorran near Cow- beath as the site for a m. natural gas liquids ration plant, which would connected to a marine inal four miles to the south the Firth of Forth.

riginally Shell Exploration Production chose Peterhead, e north of Aberdeen, as the for the NGL plant. There ould have been located close St. Fergus where the Brent line will come ashore and re the methane, the natural will be separated and fed the national grid. But way through a public in- y Shell discovered to its arrassment that its plan to Peterhead harbour as the ping terminal for carrying y the natural gasoline, and liquid petroleum gases, ane and butane, involved ceptable hazards. The ic inquiry was abandoned the search was intensified an alternative site.

the time the oil companies upon Mossmorran, Esso nical, to the delight of both Government and the local orities, had decided that it interested in building an lene plant alongside the gas ation plant to take advan- of the readily available lies of ethane. A public iry was held during the ner into the joint applica- for planning permission the result of that is still ed from Mr. Bruce Millan Secretary of State for Scot- Given the Government's mitment to such ambitious for establishing a major chemical industry in Scot- during the 1980s few ct the applications to be ed. It is a conclusion h was voiced by several of objectors at the inquiry in ermline who felt that the ss was, as one opponent it, little more than a ber-stamping charade."

o Chemical's plan is to a 500,000 tonnes a year ene plant at a cost of some n. at Mossmorran. This l be joined by a four mile ine to a jetty and storage ties at Braefoot Bay, which l push up the cost of the ct by about another £40m. company brought forward anning application by some onths in order to combine h the inquiry into the NGL but it is unlikely to make inal commitment to build before the end of 1978. If project is given the go- l, Esso plans to start con- tion in mid-1979 with the coming on stream in mid-

e immediate gain to the community in terms of jobs would be small com- f with the grand scale of nvestment. The NGL plant l create about 100 perman- obs and the ethylene plant een 150 and 300. During ruction, however, the r force could rise to some and the Government is ng its hopes on the fact downstream activities in chemicals will follow later. old mining areas around norran are suffering from mally high rates of ployment. Offering hope e area Esso says in its ing application that it l expect an ethylene-based petrochemicals industry to be set up beside the ethane cracker. The land is certainly available. It has held exploratory discussions with a number of companies and might itself expand into polyethylene at some future date.

The Government for its part has endorsed a report produced by the National Economic Development Office which foresaw the construction in the U.K. by 1985 of four new crackers. According to Mr. Eric Varley, the Secretary of State for Industry: "A key factor will be the availability of ethane and other associated heavy natural gases from the North Sea oilfields. We see ethane as the premium feedstock for ethylene manufacture which could lead to further petrochemical expansion." According to the Government North Sea reserves of ethane could provide feedstock for at least four to five ethylene plants.

Such reasoning on ethane is clearly behind Esso Chemical's plans, but the industry is expressing increasing concern that such planning, based on the availability of feedstock, takes no account of the availability of markets in which to dispose of the ethylene. Forecasts of the growth of demand for ethylene — the basic chemical industry building block — have been falling steadily over the last 12 months, and an unofficial figure as low as 4 per cent. a year is now emerging from some quarters. If these worst fears are realised there will be serious overcapacity from the existing plants, and those that are building which will stretch far into the 1980s.

The chemical industry is also still to be persuaded that ethane has an advantage as a petrochemical feedstock over the traditional sources in Western Europe, naphtha and gas oil. Ethane produces a less attractive product mix and there are some doubts over the security of its supply. There are no easy alternative sources of supply as there is for naphtha, for which there is world market. And the rate at which ethane will be available from the North Sea will largely be decided by the speed at which the oil in a particular field is extracted. The heavy gases are known as "associated gases" and as such their availability could depend as much on national oil depletion policy as on the requirements of the petrochemicals manufacturer.

At the moment natural gas liquids are only available in any quantity from three fields, Brent, Forties and Ekofisk. Hopes of collecting the pockets of gas from other fields around the North Sea hinge on the Government's ambitious plan to install a gas gathering pipeline system linking several fields. Reports have suggested that the full scheme could cost as much as £5bn., but the idea has received recent support from Dr. Dickson Mabon, the Minister of State for Energy.

He said: "I believe the potential energy locked up in the many small reservoirs of gas in our sector of the North Sea is, in total, so large that sooner or later, by one means or another, its collection is inevitable."

In the meantime potential chemical investors in Scotland might be put off by the uncertainty over supplies and by such factors as the poor performance of the British construction industry which has faced grave problems in meeting delivery times for building large complicated plants. But the chemical industry is continuing to invest in the established chemical sites, principally at Grangemouth on the Firth of Forth, which offers an example at close quarters of how downstream plants can be attracted to an area, once the basic feeder plants are built.

Flexibility

At the hub of the complex are the BP Chemicals basic petrochemicals plants, and the site will soon gain greater flexibility when it is joined by pipeline to ICI's site at Wilton on Teesside, where the two companies are jointly building a 500,000-tonne a year ethylene plant.

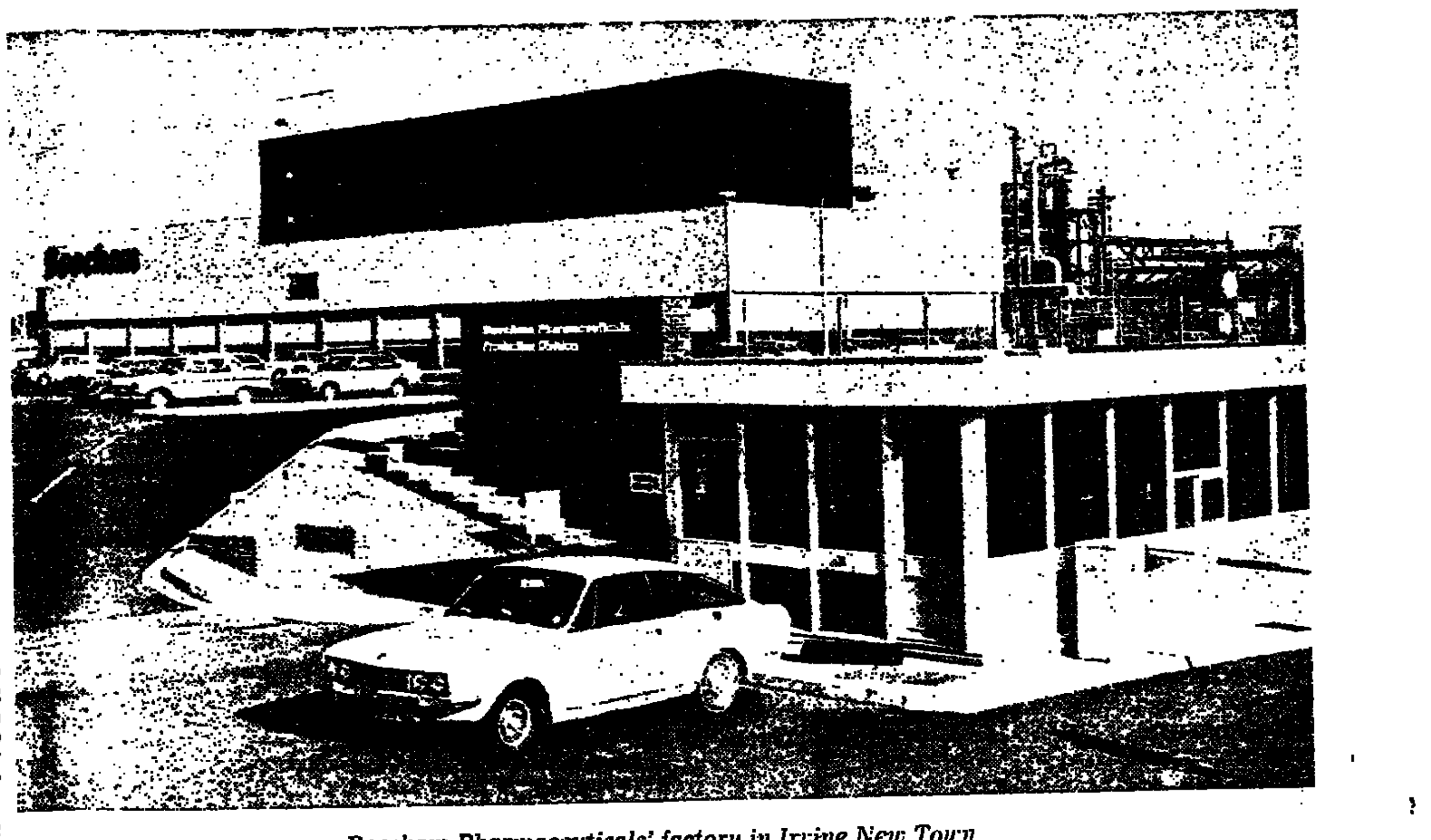
This link was to have provided the stimulus for BP Chemicals to expand in a number of downstream products. A £40m. styrene unit and a £35m. acrylonitrile plant were planned, but these proposals were frozen two years ago because of depressed trading conditions. However, BP Chemicals has gone ahead with an £18m. investment in a 54,000 tonnes a year high density polyethylene plant at Grangemouth which should be commissioned in the middle of next year. It should also bring on stream next year an £11m. benzene plant, which is part of a project to collect the benzene fractions from Baglan Bay and Teesside for purification in Scotland. With other modernisation projects the company is currently spending some £50m. on its Grangemouth site, which must be in the front line for major new investments, when the markets begin to improve. The recession which followed the Arab oil embargo badly upset BP's original plans, made in 1973, and when the Wilton cracker comes on stream next year, the company will be facing an ethylene surplus for several years to come.

As one of BP Chemicals' major customers at Grangemouth, Borg Warner Chemicals of the U.S. is working on a £20m. plastics investment. Earlier this year it brought on stream a new ABS plant, boosting its capacity on the site from 20,000 to 70,000 tonnes a year. Early next year this plant, producing one of the leading medium tonnage engineering plastics, will be joined by a new plant for the production of MBS modifier resins. The plant will have a capacity of 22,000 tonnes a year.

But long before petrochemicals arrived at Grangemouth, the site had been chosen by James Morton for the construction of his Scottish Dyes company. This was taken over in 1928 by ICI, and the site is now an important part of its Organics Division, employing some 1,800 people in the manufacture of fine organic chemicals, such as dyes, pigments, crop protection chemicals and rubber chemicals. A £15m. expansion of its fibre reactive dyes plant there is now underway and should be completed in the middle of 1979. An £11m. expansion in crop protection chemicals should be finished by the end of the year, and at Stevenston ICI is completing a £17m. dyestuffs intermediate plant in a joint venture with Montedison, the Italian chemicals conglomerate.

Away from the traditional chemical sites, Scottish local authorities are still vying with each other to attract new developments to their beauty spots, one of the latest hopeful candidates being Strathclyde Regional Council with proposals to site a petrochemicals industry in Glen Fruin, between Gare Loch and Loch Lomond. But their chances are slim. Scotland will increasingly be in the forefront of new chemicals investment in the U.K., but there is little chance of the more grandiose plans, that have been mooted, ever coming to fruition. As Mr. Nigel Champion, BP Chemicals planning and finance director said, for example recently: "The idea of piping large quantities of ethylene from clusters of crackers in Northern Scotland—anything from four to seven have been suggested at various times—into Continental Europe is, in my view, almost certainly a pipe dream."

Kevin Done
Chemicals Correspondent



Beecham Pharmaceuticals' factory in Irvine New Town

Headaches for steel and coal

TWO OF the industries at the heart of Scotland's industrial history are now facing a similar mixed future: on the one hand a major programme of investment is underway to modernise each of them, on the other low productivity is causing serious concern.

The paradox is most marked in steel, where the British Steel Corporation's strategy for reducing its £500m. a year losses—expected to be announced shortly — is certain to involve the closure of many outdated plants and a large number of redundancies. Steel union leaders have estimated that as many as 1,500 jobs could be lost by Christmas.

As the smallest of BSC's five geographical divisions, Scotland last year managed only a tenth of its total liquid steel output, but more than half the total loss —£50.6m. out of £95m. The lack of orders for its principal products, strip and plate, hit the division hard.

Emotional

The industry still has a strong emotional pull on unions in Scotland, who look to the establishment of an integrated steel works at the Ayrshire coastal site of Hunterston to fuel the regeneration of Scottish industry with plentiful supplies of cheap raw material. The acceleration of the Beswick proposals for closing inefficient plants and the possible postponement of modernisation plans will come as a blow to them.

Union officials have also been embarrassed by the willingness with which some workers have contemplated the early closure of older plants. Fed up with working at reduced pace for *only basic wages, they see the* impending announcement from Sir Charles Villiers, BSC's chairman, as a chance to escape from uncertainty with a lump sum payment to help in the search for a new job.

A dozen locations could be affected. Most likely are the open-hearth steelmaking shops at Clydesbridge, Dalzell, Ravenscraig, Lanarkshire, and Glengarnock, which, with the excep*tion of the last one, were due* to close by January under the Beswick proposals. Their disappearance was to be dependent on new capacity being available at Ravenscraig to meet expected demand, but with the current order shortage they could be closed virtually immediately.

The Hallside primary and billet mills, the Craigneuk bar mill and the Glengarnock blooming mill, which were reprieved in 1976 and given an extended life into the 1980s, could now find that their closing dates are again brought forward, or that they are mothballed for an indefinite period.

Other mills may come under threat, as might the iron foundry at Hamilton, which, again, was reprieved by the Beswick review.

The loss of jobs is bound to plunge West-Central Scotland into trauma, particularly as it is likely to come at a time when unemployment is rising against the U.K. trend. But far more serious from the point of view of the future of Scottish steel would be the postponing of already announced plans for investment.

The Holy Grail of the Hunterston integrated plant has already receded over the horizon, but BSC has also announced several other proposals which seemed more realistic, but might now be put at risk.

The expansion at Ravenscraig, which at a cost of £220m. will double annual capacity to *3.2m. tonnes, is well advanced* and unlikely to be affected. But more vulnerable are the plans for an electric arc furnace at Hunterston, which could join those for electric arcs at Ravenscraig and elsewhere in *being put off indefinitely.*

This would reduce Hunterston, where BSC has 1,400 acres and had planned the whole range of steel industry activities, to a service base for Ravenscraig. The £160m. investment already under construction there will provide an ore terminal, where ore carriers of up to 350,000 tonnes can be unloaded and their cargoes transferred to rail wagons, and a direct reduction *plant to produce iron pellets.*

Reduced

The Scottish coal industry's problems are not nearly so likely to come to a head. The National Coal Board's Scottish area reduced its loss from £8.9m. in 1975-76 to a little over £4.7m. last year and, according to the Scottish area director, Mr. *James Cowan, was making* useful progress towards the target of breaking even by 1980.

However, results so far this year are less satisfactory and there are growing fears that productivity could go on declining. The NCB's disappointment over the rejection of the national pit incentive scheme by a ballot of National Union of Mineworkers' members was felt acutely in Scotland, where the vote was a decisive "No."

It was only partly compensated by the fact that Mr. Mick McGahey, vice-president of the union nationally and leader of the militant Scottish coalfields, joined the appeal by union officials for a voluntary increase in effort.

Geological conditions have contributed to lower productivity in Scotland than in Britain as a whole, but the national decline in production has been accompanied by a slide north of the border.

Exciting

From a peak of 39.5 cwt per man shift in 1974-75, the level fell last year to 38.6 and is again down this year. The corresponding national figures were a peak of 45.8 in 1972-73 to 43.6 last year. The fall in total output from Scottish pits was 630,000 tons last year, a 6.6 per cent. decline, compared with between 5 and 6 per cent. for the country as a whole.

Yet despite this disappointing result Sir Derek Ezra, chairman of the NCB, has predicted an exciting future for the Scottish area as it reaps the benefits of *heavy investment and tastes the* security provided by the Government's £7m. a year subsidy to the South of Scotland Electricity Board to maintain coalburn over the next five years.

The planned investment programme of £30m. is intended to modernise existing pits and secure new sources of coal. It includes plans to exploit th 50m. tons of reserves in th Musselburgh area, near Edir burgh, and sink a new shaft a the Castlehill Colliery in th Longannet complex, Kincardine shire.

The seven seams in the fir of these fields could be worke *at up to three times the preser* productivity levels in Scotlan and tentative estimates provide for an output of 500,000 tons year.

Further development work *underway in a number of oth* pits and drilling in both ea and west Scotland.

R.I

The nuclear expansion

THE NEXT major phase in the *development of power resources* in Scotland will hinge upon the forthcoming Government decision on a thermal nuclear reactor programme.

Scotland already generates about twice the proportion of *nuclear power used in the U.K.* as a whole, and the long-term plans of the two Scottish generating Boards envisage a steady expansion in nuclear capacity to meet growing electricity needs between now and the year 2000.

For that reason the larger of the authorities, the South of Scotland Electricity Board, can be expected to be among the first in the queue for permission to build a nuclear station based on the reactor choice made by the Government, probably before the end of this year.

The project will be sited at Torness Point, near Dunbar on the East Coast. The SSEB already has planning clearance and would probably have started construction of a station there had the Government not decided to review reactor policy.

It now seems almost certain that the review will lead to the abandonment of the British-developed steam generating heavy water reactor which was the type of system the SSEB favoured for the Torness plant. *Instead the country will opt for* the U.S.-designed light water reactor or another batch of advanced gas-cooled reactors, or possibly a programme involving a mixture of both types.

Successful

Of the two designs, the SSEB would undoubtedly prefer the AGR because of the experience it has gained in the successful operation of one of the first of this type of system at the Hunterston B plant. Although there have been some teething troubles at the non-nuclear end of the station, the reactor system has generally performed satisfactorily since its commissioning last year and has made a major contribution to generating needs in central Scotland.

Additional nuclear power is an important component in the overall plan by the two Scottish *generating Boards* to ensure a flexible mix of plant which will prevent over-dependence on any single source of fuel. Although there are no proposals at present to build additional coal-fired power stations, the bulk of Scottish electricity supplies will continue to be drawn from the large modern coal-burning stations like Longannet, Cockenzie and Kincardine, all sited on the Forth Estuary.

In spite of pressure from the miners for an even greater commitment to coal-burning capacity, the SSEB maintains that it can already take as much coal as the Scottish pits can produce.

A third main component in Scottish power provision is the oil-fired stations such as the recently completed Inverkip plant on the Clyde Estuary and the station which the North of Scotland Electricity Board is building at Peterhead.

The North of Scotland Board, which co-operated closely with the SSEB in forward planning, is also committed to expansion of nuclear capacity. It already receives output from the prototype fast breeder reactor at Dounreay in Caithness and it has reserved a site at Stake Ness in Banffshire as a possible location for its own nuclear station.

Pumped

But the first project on which the Hydro Board is likely to embark will be a pumped storage scheme at Craigroyston, on the banks of Loch Lomond. Initial investigation has suggested that an ultimate capacity of some 3,200 MW could be developed at the site. Power from nuclear stations in Central Scotland would be used during the off-peak periods overnight to pump up water from Loch Lomond which could be stored and used later to drive turbines supplementing generating capacity during the next day's periods of peak demand.

The scheme has many attractions from an economic standpoint, but there is likely to be controversy on amenity grounds. Studies, however, have shown that the power plant and associated pipelines can be underground to minimise impact on the landscape.

Looking further into future, increasing interest being taken in the possibi of providing an added boos Scottish power provision tapping offshore genera potential. One scheme, whic currently being tried exp mentally in Loch Ness, w involve using wave power generate electricity directly a system of floating v *devised by Mr. Stephen Sa* an engineer at Edinb University.

A Government study is under way into the possibil of generating electricity offshor by using small accumulations natural gas found at isolat locations in the northern Nor Sea. It would probably be t costly to transport the g ashore by pipeline, but if system of offshore power pla can be devised, it should possible to transmit power cable at just a traction of t cost.

By a Correspondent

A new era for gas

IN SCOTTISH gas industry circles, 1977 will be remembered as an historic year which saw two important landmarks in the development of the industry.

First there was the com*pletion in September of the* conversion programme to put the bulk of Scottish customers on to natural gas. Days later the second major event took place when the first supplies of gas arrived ashore from the *giant Frigg field off the Scottish* coast. It signified the start of a new era of gas production from northern waters.

It also meant a reversal in the south-north flow of gas along the new trunk lines which British Gas has installed over the last few years as part of its natural gas development programme.

When the first natural gas conversions were carried out in Scotland in 1970, it was assumed that the gas supplies would be sent north from the fields which had been discovered in the comparatively shallow waters off East Anglia and the Humber. The plans to tackle between 2,000 and 4,000 conversions a week were well underway before it was realised that there were even larger exploitable gas accumulations beneath the deeper and stormier waters off the Scottish coast.

Fortunately the extent of the reserves at the Frigg Field, which straddles the exploration boundary between the British and Norwegian zones, were sufficiently large to justify investment in the platforms and twin pipelines needed to land the gas onshore. The landfall terminal built by British Gas at St. Fergus in the Grampian region will also in a few years start handling supplies from the Brent oilfield which has a particularly high gas content.

Onshore British Gas have laid three new trunk lines from St. Fergus to carry gas south to the main marketing areas. Already surveys are being carried out of possible routes for a fourth and possibly fifth line which would be required if there is any further expansion in supplies from the northern North Sea.

One spinoff from the offshore developments has been of direct benefit to gas customers in North-East Scotland. They are now linked into the national natural gas grid some years earlier than would have been the case if the Frigg project had not been launched.

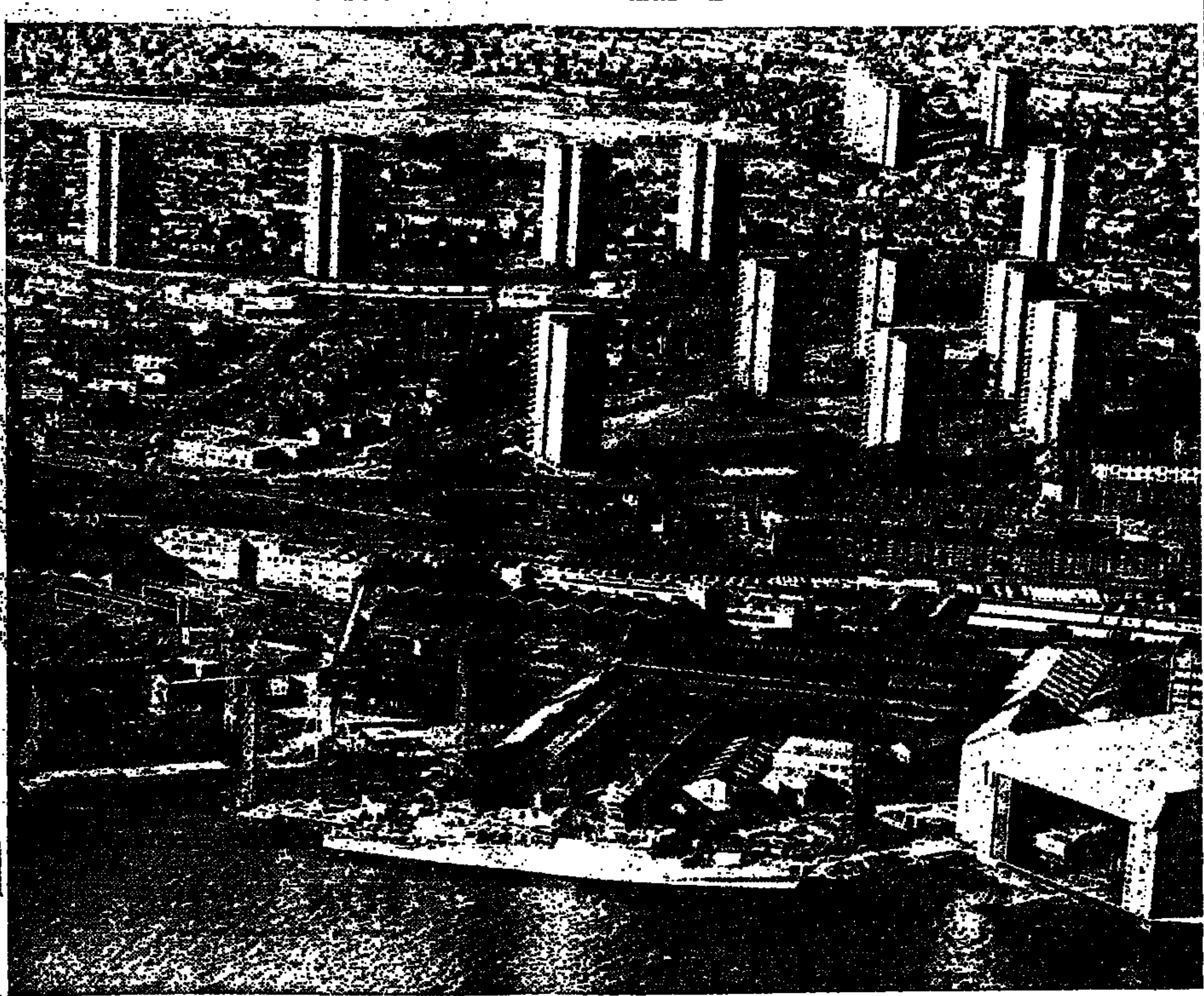
Scotland was the last British Gas region to complete conversion work. During the seven-year *operation more than 840,000* customers were visited and 2m. appliances were converted to handle the fuel, which has a higher calorific value than the town gas formerly supplied to Scottish customers. The availability of additional supplies from the northern North Sea has also enabled British Gas to take on new large-scale supply commitments, notably the contract recently signed with British Steel to supply Frigg gas to the *direct ore reduction plant at* Hunterston in Ayrshire.

Phase

But although natural gas is now on stream throughout Scotland, development work has by no means ended. The next major phase is likely to arise from the proposals for a common gas gathering system linking North Sea fields for which no individual pipeline arrangements have been made. A study company investigating the feasibility of such a scheme is due to report to the Government by the end of March on a possible routing for the undersea pipeline network which could involve in*vestment of between £2bn. and* £5bn. If the project goes ahead, it would inevitably involve the gas being landed at some suitable location on the east coast of Scotland. Because the Scottish market could only use a proportion of the additional supplies, there would have to be more trunk lines to take the supplies south.

Hints have also been given recently that the Government *would like to co-operate with the* Norwegians, who also have a number of sources of natural gas, in building a joint gas gathering scheme. It would be more practical to land the gas in Scotland than Norway, which has a deep seabed trench running parallel to the coast, and this would mean that further onshore pipelines would have to be laid in Scotland if the Norwegians wanted their gas to be re-exported to premium markets on the continent.

By a Correspondent



Clydeside

Shipyards manage to keep afloat

[SHI]PBUILDING AND heavy [eng]ineering still comprise a [con]siderable sector of Scottish [indu]stry, despite the post-[Sec]ond World War swing away [t]o high technology manufac[tur]ing such as electronics and [the] ever-growing trend towards [ser]vice industries. Scotland is [one] of the U.K.'s three main [ship]building areas, with nearly [...] workers directly [em]ployed in three main [yards] on Clydeside—the sole [sur]vivors of what was once the [cen]tre of the world shipbuilding [indus]try. Other yards are located [on] the east coast, and there is a [siz]able associated marine [eng]ineering industry building [every]thing from huge diesel [eng]ines to ship's galleys. In [all] probably 50,000 Scottish jobs [dep]end directly or indirectly on [the] health of the shipyards, an [...] and young factor [...] which the Government is [to k]eep U.K. shipbuilding afloat [thro]ugh the storm of the [pres]ent international crisis for [the] industry.

[In]deed a look back over the [last] 10 years at the fortunes of [Scott]ish shipyards reveals the [consi]derable political impor[tance] placed by governments of [the] day in preserving these [yards,] located largely as they are [in] the depressed Strathclyde [region]. During that timespan, [which] encompasses the forma[tion] and subsequent collapse of [Uppe]r Clyde Shipbuilders and [the] launch of its successor, [Govan] Shipbuilders, the State [has] poured £100m. into preserv[ing s]hipbuilding on the Upper [reac]hes of the Clyde—or around [...] jobs.

[Iro]nically Govan Shipbuilders [is pr]esently the main exception [to] what is generally a fairly [heal]thy picture in Scotland for an industry facing possible extinction. Only the long-awaited Polish shipbuilding deal with British Shipbuilders can avert heavy redundancies at the firm's two yards, now working on the last six vessels of a series of 19 23,000-ton general purpose cargo vessels for the United Arab Shipping Company. It is a virtual certainty that this orderbook—the lowest in the company's five-year history—will be substantially expanded by a large slice of the 24-vessel Polish order, thus ensuring continuity of employment through 1978. Govan Shipbuilders is also just completing a total redevelopment of its yards at Govan and Scotstoun, costing £28m., which has made it one of the most modern shipyards in the U.K. and Europe.

Specialist

Also on the Upper Clyde are Yarrow (Shipbuilders), the specialist yard which in recent years has concentrated entirely on sophisticated naval work. Yarrows, which was absorbed into British Shipbuilders together with the four other main Scottish yards, has a successful record of building frigates and other complex surface craft for navies around the world, but the U.K.'s unprecedented inflation since 1974 had until earlier this year made the Scotstoun yard uncompetitive abroad. Since that time Yarrows has built five Type 21 frigates for the Royal Navy, and is now engaged on four of the latest Type 22 all-missile frigates, also for the RN. Three months ago they clinched a £55m. deal with Iran to build four 2,500-ton logistical support vessels similar to two sister-ships delivered in 1973 and 1974. Yarrow's present order-book takes the yard's 5,400 workforce through to the end of 1979, making it among the most secure in the industry in the U.K. Run by the same family since the yard was built in the latter half of the last century, Yarrows has not only been one of the most commercially successful shipyards in this country, but has not hesitated to reinvest profits in new equipment. Hence the yard boasts one of the largest covered building berths in the U.K., where two frigates can be constructed indoors at the same time.

Twenty miles down-river, at Port Glasgow and Greenock, the Scott Lithgow Group of five yards is one of Britain's three largest shipbuilding complexes. Formed as a result of the Geddes report in 1967, with its merger recommendations, Scott Lithgow has pursued an individualistic and successful path ever since. Employing 8,000, the group is capable of building virtually any type of merchant vessel, from VLCC to ferry, and has a specialist naval yard at Greenock which is the only one in the U.K. still geared to making conventional diesel-powered submarines for which there still exists a good overseas market. But it is in offshore oil that Scott Lithgow has come to the fore. Over the last five years the group has first tentatively dipped a toe in oil-related waters, then taken the final plunge. Its range of craft being marketed by a newly-formed offshore division includes dynamically-positioned drill-ships, supply vessels, steel gravity base oil platforms and tension-leg steel platforms.

While much of this technology has been acquired through licensing deals with foreign companies, this process has enabled Scott Lithgow to build up considerable in-house expertise in a field which many feel has been rather under-explored so far by the British shipbuilding industry. Scott Lithgow has suffered considerably from the shipbuilding recession, mainly through cancellation of orders, but with substantial help from the Government's intervention fund much of this work has been transferred to new owners and other orders won. The group confidently expects to receive a share of the Polish deal, which will probably ensure employment through to the summer of next year.

On the east coast Robb Caledon Shipbuilders employs 1,500 in the Dundee and Leith yards. The company had a troubled year, having to pay off 300 at Leith through lack of work, the closure of the yard only being averted by a Scottish Office ferry order for the nationalised operators Caledonian MacBrayne. At Dundee, a recent £4.5m. order from the New Zealand subsidiary of Portland Cement, for a self-unloading bulk carrier, has secured the future until next summer. But both yards need considerable modernisation and expenditure to see them through into the 1980s and beyond.

Farther north, at Aberdeen, Hall Russell is the smallest Scottish yard to have been taken over by British Shipbuilders. Employing 1,000, the yard also has one of the healthiest order-books. It is currently completing a £14m. Royal Navy order for five Island class offshore patrol vessels, and also has three tugs for Shetland's Sullom Voe oil terminal and four torpedo recovery boats for the Ministry of Defence to construct. In addition, the yard has been awarded the design contract for a new Scottish Office fishery protection vessel, and is thus well placed to win the first order at about the end of the year.

In general, Scottish shipyards have fared relatively better than their counterparts in England for orders in the past year, particularly those where the Government has been able to help through judicious use of its intervention fund. With devolution on the Parliamentary agenda for the coming session it seems unlikely that there will be any early rundown in the shipbuilding industry north of the border. The same could be said to a large extent for marine engineering, where some companies like Speedcranes of Gourock and John G. Kincaid of Greenock, the nationalised engine-builder, have won orders from foreign shipowners and shipbuilders in the face of intense competition.

Crucial

Engineering in Scotland employs well over 150,000 and is a crucial sector of the industrial economy. Many companies at the heavier end of the business have translated their traditional skills into high technology fields with international success, including the Weir Group with its desalination plant and John Brown Engineering with its industrial gas turbines built under licence from General Electric in the U.S. But this trend has not been sufficient to reverse the decline in engineering which has continued apace, particularly in west central Scotland, for the past 50 years. With some outstanding exceptions, the Scottish engineering sector has failed to make the most of the opportunities offered by North Sea oil. Oil-related employment in Strathclyde region has slumped to less than 3,000 jobs. Compounding the situation, several sectors of the engineering industry are suffering from cut-price overseas competition which is pricing companies out of projects on their own doorsteps.

A prime example of this is in the process plant industry, where about 10,000 are employed in Scotland making heavy fabrications. Unbeatable competition, mainly from Italy, Germany and France, has resulted in many orders for North Sea developments going abroad, and that sector's prospects now look distinctly gloomy. The Scottish Development Agency has indicated that it will take a special interest in helping established companies to develop new products, particularly those with a high added value content, but it is clearly outside the agency's powers to achieve the radical restructuring of engineering which is needed so badly.

Lewis Thornton

Champagne lunches for the property men

NOWHERE DO direct political decisions matter more to the housing, property and construction sectors than in Scotland. Obviously Treasury decisions on the management of the economy, and where or when money should be pumped in or syphoned out, affect Scottish builders, property agents, engineers, architects — and building societies. But Scotland has an enormous joker in the pack, called devolution.

Devolution will give much responsibility for housing and construction to a Scottish Assembly. But it will also, as did its fairy godfather, North Sea oil, provide a massive, if regionally selective, stimulus. A Scottish Assembly means, if nothing else, champagne lunches for Edinburgh's beleaguered property agents, who have been stuck for the last year with ½m. sq. ft. of unlet offices, and, at the top end of the residential market, with prices which have fallen steadily behind inflation.

Signals

With the passing of the guillotine motion on the Scotland Bill, and with the general grudging acceptance of the Government's Green Paper on Scottish Housing, the signals for the future look better than for many years. For the present, of course, they are as firmly fixed in the grease of recession as they are elsewhere.

The guillotine is good news in so far as it suggests that there may well be a Scottish Assembly within the next two years. An Assembly should create an upsurge of interest in office property in Edinburgh. In the first place, it will inevitably create Government demand for the present glut of Crown property vacated when the Edinburgh division of the Civil Service College was closed down last spring. Second, it is bound to attract all the pressure groups, public relations agents, lawyers, foreign correspondents (including those from English newspapers), printers, photographers, tailors, restaurateurs and wine merchants who normally cluster around a legislative body.

Furthermore, it must inevitably place higher on the list of possibilities the contingency of Scottish independence. That particular contingency, like it or not, has already brought to Scotland offices of more than 40 major international financial institutions. Whether we give the credit to the oil, or to the nationalists, it has taken 270 years of Union for Edinburgh to see its first branches of the National Westminster, Midland and Barclays—let alone the big American and European banks. An Assembly must attract more watching briefs — and hedging bets — not only from financial institutions, but from foreign States.

In fact, there are those within the property market in Scotland's capital who will admit that they have already had inquiries from foreign offices around the world—if not yet for embassies, certainly for "representative offices" or for retained flats.

The immediate concomitant *of a boom in office property,* since it will derive from interest outside Scotland, will be a resurgence in the domestic market, and at the better end of that market. An Assembly will attract the kind of people *who buy or rent city-centre flats* or houses in the most attractive suburbs. The present guessing in the market is that next spring should see a sudden surge upwards in the prices of prestige flats in Edinburgh's New Town, and of good houses in the Western suburbs.

Responsibility

But an Assembly will mean more than a localised shot of adrenalin for Edinburgh. The Assembly, on present terms, will have much responsibility for the general housing and construction sector; and after many years of bitter polarisation between Left and Right, Scotland has finally begun to move towards a consensus, where everyone — Labour, Tory, and Scottish National Party—agrees that the private sector should be expanded and encouraged. Indeed, almost everyone agrees that Scotland needs more investment in building, that it should be better building, and that it may have to be in places outside the traditional centres of the Lothians and Strathclyde.

The most obvious manifestation of this new mood—and new it is, for Scotland has traditionally pursued a hard-line Labour goal that all housing and most development *should be in the public sector*—is to be found in this summer's Green Paper on Scottish housing. Since housing, even without devolution, is a Scottish Office matter, the Green Paper naturally differs in some respects from that produced for England and Wales; but more important, it differs very much from the classic Labour Party line in Scotland.

The fact is that official housing policy in Scotland has been so concerned for so many years with the expansion of the public sector — with building enormous schemes on the periphery of our cities — that the commercial property market has grown accustomed to ignoring it. But the Green Paper has changed all that. Shops, offices, factories, town centres are no longer likely to exist in a different world from the endless council houses.

The general tenor of the consultative document is that homes should once more join the general property and construction market. More people should own them, and they should not invariably be exiled to the outskirts. Given that Scotland has at present only 30 per cent. of owner-occupier homes, and 60 per cent. in public ownership, any reversal must have enormous effects: England, after all, has an almost exactly reverse distribution. Over the last ten years, building society offices have multiplied in Scotland four times over; now it looks as though they will be given the chance to lend as well as borrow in Scotland.

To some extent, what the Green Paper does is to institutionalise existing trends. First and foremost, it enshrines as a policy direction something which has been happening anyway: that a Labour Government is now prepared to admit that the private housing sector has an important and growing place in Scotland. Indeed, the private sector, including both the sale of existing council houses and the building of council houses meant for sale, is to have a place in the new world of local housing plans.

Selling existing council houses, let alone building council houses for immediate sale, puts the local authorities into the land market on entirely different terms from those which have prevailed in the long reign of the "housing is a social service" theory. But so does another suggestion, that local authorities should "do more to cater for the old, the disabled and other special groups, not simply by building new houses but also by adapting existing houses." The particular social needs of these groups are best met by ready access to shops and social services — and thus by keeping them in the urban centres, the commercial premium areas.

Discussion

Similarly, the effect of a new Government enthusiasm for tenant co-operatives, housing associations and co-ownership societies is likely to be a *strengthening of inner-city* resistance to "winkling," or even genuine delapidation. Taken together with the Green Paper's recognition of the needs of young single people, and of itinerant and short-term occupants, this must mean a sharp brake on the flow of city-centre sites on to the open market.

Many other proposals in the discussion document must contribute to a similar end: "Authorities should also consider rehabilitating for sale to owner-occupiers, houses which are too difficult for individual owners to improve" — and such houses are of course most likely to be found in the commercial and industrial centres. "To ensure that privately rented houses are properly maintained and kept in good repair, the availability of repairs grants will be extended, and tenants may be given the right to carry out improvements and receive grants" — what must that do to staunch the flow of unprofitable rented property on to the market?

"Repairs grants will be made more widely available ... private tenants may be allowed to apply for improvement grants," "attention should also be paid to houses which are fit but falling into decay" — this is the novel language of a Labour Government which has adopted policies which must mean that the supply of vacated buildings, demolished sites and forgotten slums in the older urban centres will henceforth diminish.

Socially, the effects of these ideas must be beneficial. Anyone who has ever visited the wretched canyons of deprivation which ring Scotland's cities must recognise that the policy of divorcing the commercial centre from the residential periphery has been disastrous. And economically, the general tenor of the Green Paper (and of current political thinking in every quarter) is very clearly favourable to the private sector —and that must, even though it is directed in the first instance towards housing, be good news for the land and construction businesses. Private housing generates a much greater market demand for ancillary commercial and recreational development than does the dour council scheme; and from their very inception, private estates can and frequently do include integrated provision for shops, offices, even pubs and cafes which have rarely featured in the large public schemes, most of which have contented themselves with one co-op retail shop for several thousand homes.

And of course, any stimulus—and assembly and Green Paper both provide such a stimulus—for the existing centres must mean increased values, increased rents and rates and increased commercial vigour in the centres.

D. K. Barnton

Forestry enters the political arena

LAND IS becoming an increasingly political issue in Scotland and one of which we are likely to hear more and more, particularly if the Government's devolution policy wins acceptance and a Scottish Assembly is established with full powers over domestic policy.

Factors

Several factors have combined to bring about a new interest in the ownership of land and the use to which it is being put. Among these are the request from the Highlands and Islands Development Board for stronger powers of compulsory purchase, which the Government is now considering, the unveiling of a string of land-related policies from the Scottish National Party, which could take on a new relevance in the context of an assembly, and the crisis in the timber industry, which has served to point to the lack of available land for forestry, a factor which could inhibit the growth of one of Scotland's largest rural employers.

The Highlands Board first mooted the idea that its powers ought to be strengthened a year ago and has since proceeded slowly, allowing the implications of what it is proposing to sink in and to be discussed by farmers, landowners, political parties and anyone else interested enough to give the issue serious thought.

Behind the demand is the assertion that in a few cases—and the Board stresses that it is speaking only of a tiny minority of landowners—large estates are being deliberately neglected so that their productive potential is reduced and, more importantly, they cease to provide jobs.

The Board has had compulsory powers of a sort since it was established 11 years ago, but it has never used them. *Legal opinion was that they* would not stand up to the test of a public inquiry. It has tried on several occasions to buy large estates on the market, but with an offer tied to a maximum set by the district valuer, it has been outbid.

What it now proposes is confiscation (although it would not describe it that way) of land that is being wilfully neglected. Once in the Board's possession it would be let to qualified tenants, willing and able to develop the land.

Although a few landowners and a few farmers have come out in support of the Board, it is hardly surprising that most who have expressed an opinion so far are against it, fearing that with increased powers the Board would merely substitute private ownership for bureaucratic control.

Clear

So far there has been little comment from the political parties at national level, but that position may change as the general election and the first assembly elections get nearer.

The Scottish National Party has made its policy clear and favours the establishment of a land commission empowered to take land into national ownership and allocate it to the most productive use. One of the chief of these would be to forestry, which the Party sees as capable of enormous growth over the rest of the century.

The Party's forestry policy envisages an expansion of productive forest and woodland area to some 2.4m. hectares (6m. acres) as soon after the year 2000 as possible. That intention should be viewed in the light of the fact that the present area devoted to forestry in Scotland is less than a third of this amount (767,000 hectares).

The SNP supports its contention that enough land is available by arguing that Scotland has some 4.85m. hectares of "rough grazing, including grouse moor and deer forest." It states: "What is needed to plant it, is the political will, which has been wholly totally absent in British political parties."

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Airport capacity under pressure

SCOTTISH AIRPORTS are going through a dynamic period in which the catalyst of oil is causing rapid growth and a reassessment of the rôle of air transport, particularly to remote areas.

During the past year two Scottish cities — Edinburgh and Aberdeen — have had virtually new airports to cope with the enormous growth in traffic. New facilities were recently opened at Glasgow and the Government has announced that it is considering transferring responsibility for the smaller Highland and Island airports from the Civil Aviation Authority to the British Airports Authority.

The new terminal at Edinburgh, opened by the Queen in May, complements the new runway which was brought into use last year. Together they give the city the standard of communications it has long felt it lacked; the old wartime runway is consigned to fair weather flying and the old terminal building to less strenuous use.

The old airport had shown worrying signs of strain. Built originally to handle only 100,000 passengers a year, it was receiving eight times that number by the time it was taken out of mainline service.

Before the new development began the airport was taken over by the British Airports Authority, which was judged by the Government to have the expertise necessary to run an increasingly busy terminal. The cost, a total of £15m. for buildings and runway, was shared 75 per cent. by the Government and 25 per cent. by the BAA.

A month later the Aberdeen terminal was opened, replacing a group of temporary buildings which had had to serve the fastest growing airport in Britain. As the oil capital of the U.K. Aberdeen had become the base for two of the busiest helicopter operators in the world as well as a centre for charter flying and an increasing range of scheduled services to destinations within Britain and abroad.

The new buildings have vastly increased capacity and passenger comfort, contributing at the same time to the attractiveness of the city as a base for industry.

Expansion

New airport developments have also made possible an expansion in the number of destinations which can be reached directly from Scotland on scheduled services. It is now possible to fly directly to 16 British cities, to eight European destinations and to make transatlantic flights to the U.S. and Canada via Prestwick.

But oil and a general increase in business flying has not only affected the large airports. Many of the smaller fields, particularly those in Orkney, Shetland and Inverness, have also felt the impact and their future is now a matter for debate and discussion.

In March 1976 the then Secretary of State for Trade, Mr. Peter Shore, announced that the Government was considering transferring a number of smaller airports in Scotland from the CAA to the BAA. They were Inverness, Wick, Sumburgh (Shetland), Kirkwall (Orkney), Stornoway (Western Isles), Benbecular, Tiree and Islay.

The reasoning was that many of these eight—some of them *former wartime fields*—were experiencing a growth in traffic which was changing their character beyond recognition. Such circumstances it was inappropriate that the CAA, which was not primarily an airport management body, should continue to run them and that the BAA, with its established expertise in running busy centres, should take them over.

A special study group was set up by the BAA under its Scottish Airports Director and after discusion with the relevant authorities at national and local level, its views were submitted to the Trade Secretary.

But many local communities, already sensitive to the high cost of air travel, particularly to island airports, have objected to the scheme, arguing that a transfer of responsibility can *only lead eventually to higher* landing charges and in turn increased fares.

Objections have been made through local authorities and MPs and the Department of Trade is now considering the issue.

Opposition has been so fierce that last week Mr. Norman Payne, chairman of the BAA, issued a lengthy statement making clear that if the ownership of the Highlands and Islands airports is transferred it would not automatically lead to increased charges.

"If we acquire the airports on April 1 1978 we would have no intention of increasing landing fees at these airports in 1978-9 over and above those already in force at the time of transfer. Therefore users, that is passengers and the airlines with whom they fly, can discount the fears and apprehensions that automatic rises in air fares would be imminent.

"Obviously no matter who owns the airport some review would have to be undertaken at a later stage, if only to take account of inflation, but we would aim to increase the commercial revenues of the airports to improve their economy as we have done elsewhere."

He added that currently some of these airports make a loss, but it had been suggested that if the BAA were to take them over an operating subsidy should be paid for a period of years to cover the deficit. Further, the BAA had asked for capital grants to help develop airports to make them more attractive. The total spending on the eight airports could be £8m.-£9m. over the next five years.

Mr. Payne's statement is unlikely to quell all opposition, but it may allay some fears, particularly in those remote districts untouched by oil development.

Impetus

Oil has also provided an impetus to development of Scotland's ports, particularly on the east of the country. Improvements have been carried out at Leith, Peterhead and Dundee and at Montrose a completely new oil supply base has been established.

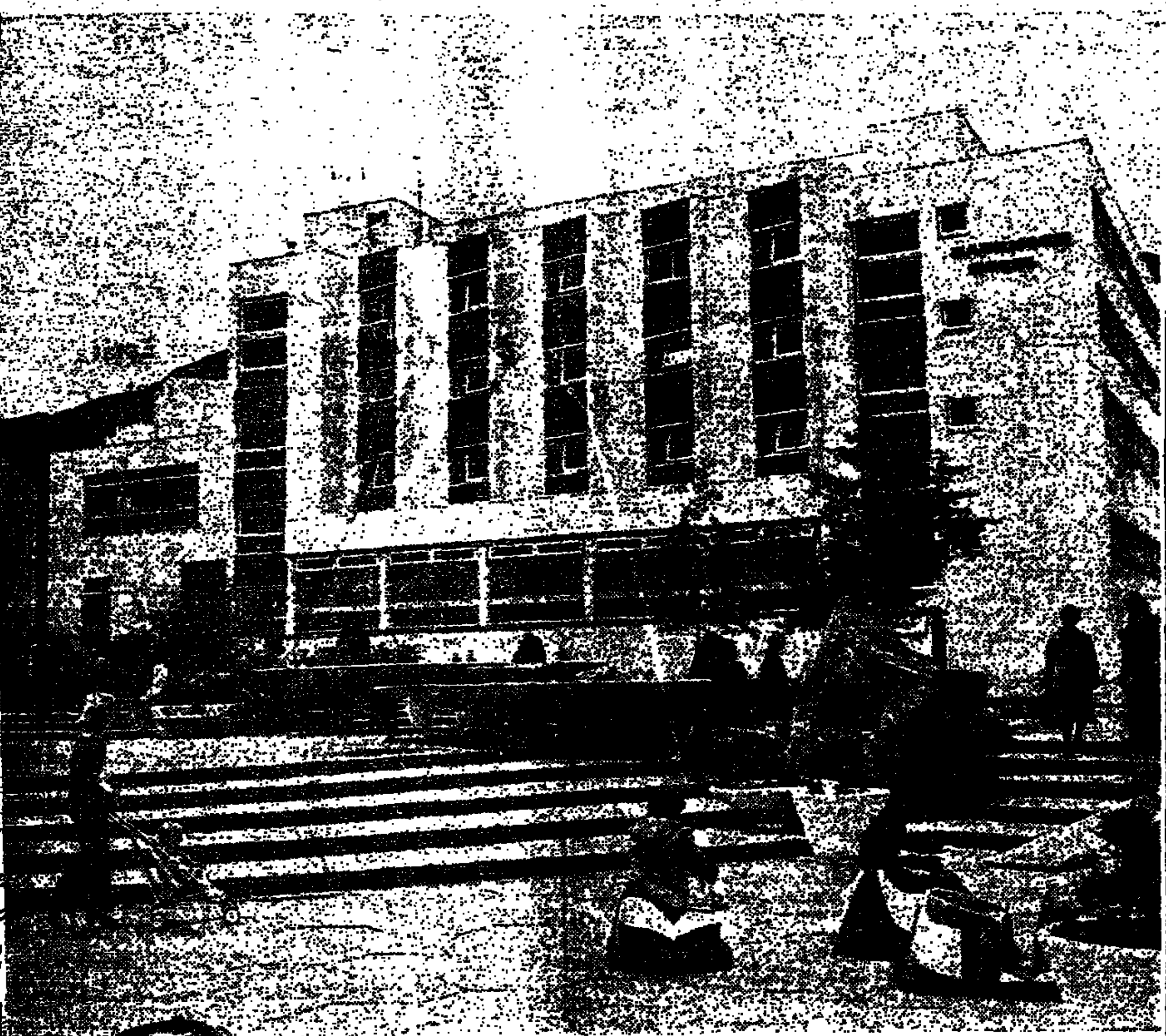
Both the Forth and the Clyde ports had record years in 1976-1977, with export of crude from BP's refinery at Grangemouth via the tanker terminal at Hound's Point contributing to a growth of overall tonnage of goods handled for the Forth to make it the busiest in Scotland.

However, a reversal of the flow along BP's pipeline from Grangemouth to the West so that crude can be exported from Finnart, should at least partly redress the balance in favour of the Clyde next year.

Gross tonnage through the Forth ports rose from 8.5m. tonnes in 1975-76 to 13.8m. with 11m. of that total being accounted for by crude oil and petroleum products. The profit for the year was £1.48m., an increase of £909,000.

On the Clyde tonnage fell from 12m. to 10m. as a result of the fall in imports through the Finnart terminal. But profit rose from £1.2m. to £2.3m.

R.P.



The Aviemore Centre

Forestry

CONTINUED FROM PREVIOUS PAGE

Expansion can take place without danger to hill farming and, where forests can be planted to provide shelter, a parallel increase in agricultural production can be achieved.

The Forestry Commission, while not disagreeing that sufficient raw land might be available to meet expansion on this scale, has doubts that it can be done without prejudice to agriculture.

In a recent paper to the conference of the Timber Growers Organisation, Mr. G. D. Holmes of the Commission, quoted evidence to support his view that the most land that could be realistically assumed to be available to forestry without damage to farming was in the region of 600,000 hectares—about a third of the SNP's requirement.

Taking the present and potential forests together, the total would therefore be 1.37m. hectares.

Private foresters have also taken issue with the SNP on the size of the area they maintain could be turned over to timber production.

Target

In the short-term, the Forestry Commission's target is an increase in area for new planting of 18,000 hectares per annum, and the experience of recent years suggests that it will have to look for most of this in Scotland. In 1975-76, for example, the Commission acquired 98 per cent. of its land north of the border.

The Commission too has compulsory powers, but like the Highlands Board has never used them, preferring to buy on the market.

The demand for land from private forestry is more difficult to predict, but if it is to maintain the balance against Commission-owned land a recovery in the level of new planting will be essential. Since 1970 the trend has been distinctly downwards. By 1976-77 private tree plantings in Scotland had fallen by two-thirds of its 1973-1974 level of around 50,000 hectares.

There is hope that the recent review of forestry grants (some of which were increased by more than 30 per cent.) will help to encourage growth in private planting, but private forest owners still have doubts about Capital Transfer Tax.

The Government has recently dropped some of the conditions applied to CTT in respect of woodlands, but one of the *central drawbacks for private* owners still remains. Although tax on woodlands can either be paid at the time of death of the owner, or postponed until the timber is bringing in revenue it still has to be paid on the revenue realised at the time of sale, which could be 20 to 30 years after the death of the owner.

R.P.

Inexperience in motors

THE CREATION of the motor industry in Scotland has come about largely as a result of a deliberate act of Government intervention. Both the Linwood car manufacturing plant of Chrysler U.K. and Leyland's truck facility at Bathgate sprang into being in the 1960s when the Government was redirecting industry away from the crowded Midlands to areas of high unemployment. These two operations employ by far the majority of workers in the Scottish industry.

It is often argued that the inexperience of Scottish workers in the assembly line techniques necessary for producing a car is one of the reasons for the perpetual troubles which have hung over these two factories ever since their formation. The workforce is virtually all first generation, in sharp contrast to the Midlands where employment in the industry has been passed down from father to son. For many years the only significant producer has been Albion trucks, the Glasgow concern which was bought by Leyland Motors in the 1950s. Apart from that, and a fledgling industry which never matured in the early years of the century, the only notable motor manufacturing experience has been contained in body-building organisations such as Alexanders in Falkirk.

Production

The signs of inexperience still show. Success in the Scottish industry hangs in the balance once again, with both of the two relevant companies being helped by Government finance. Production has not been as satisfactory as it should have been. Additional money is being injected into the factories in an effort to raise output and set them on a stable and profitable future.

At Linwood, in particular, the problems are proving particularly intractable. This factory, set down on the outskirts of Glasgow, and drawing mainly on re-deployed dock labour, got off to an unhappy start in the early 1960s with the launch of the Imp. The Imp was to have been Rootes' answer to the BMC Mini, but the car never quite managed to achieve the market it deserved. In the early years, so important to a car's image, it was dogged by technical problems stemming mainly from the manufacturing skill required to make its revolutionary all-aluminium engine. As Rootes ran into financial difficulties, Chrysler eventually stepped in to take over the operation, and eventually to buy up the Pressed Steel body plant next door to the assembly lines. But this did not help. The factory then swung into a series of labour disputes from which it has never really recovered.

Some critics place a heavy part of the blame for Chrysler UK's critical problems two years ago to the Linwood operations. Chrysler executives themselves claim that productivity has been lower in the plant than elsewhere. But after the £162m. rescue plan mounted with the backing of Government finance, hopes of a radical improvement began to run high in Scotland. In record time, the Avenger production lines were moved from Ryton in Coventry up to Linwood, and morale began to rise as the plant took on workers once again only a few months after a swingeing reduction in its labour force.

In the last few months, however, the plant has run into serious troubles yet again. On the one hand, Chrysler has had to face technical problems with the introduction of its new small car, the Sunbeam. In one respect, this has been a brilliantly successful exercise, because the Sunbeam has been launched after a phenomenally short design period of only 18 months. But Chrysler had been hoping to produce the car four or five months earlier, and the lateness of its arrival has affected the company's financial projections. Thus this year, when the Government and Chrysler Corporation had put aside £20m. between them to cover losses in the U.K. subsidiary, its deficit is running at a higher level than had been expected. Having lost £19m. in the first three-quarters of the year, there is a possibility that Chrysler Corporation will have to cover a significantly higher final loss than expected.

The financial problem has been seriously exacerbated by labour disputes which built up into a long-running strike in the middle of this year. This was ended after the intervention of ACAS, the Government mediation service, but output is still significantly below what Chrysler would like. As currently established, Linwood is capable of producing about 130,000 cars a year at the rate of 2,800 a week. But output is now running at only about half that amount. According to Chrysler's personnel director, Tom Darby, Linwood is suffering from "deliberate breaches of procedure, restrictive practices, widespread absenteeism and lateness, unofficial stoppages and lack of flexibility."

Bathgate has also had its labour problems this year, notably a white-collar dispute which affected the flow of paper work so much that dealer stocks were seriously hit. This difficulty is now over, and the plant is set, barring further troubles, to improve output significantly over last year. In 1976, it made 33,000 vehicles, including agricultural tractors. This year it should make 38,000 (about 20,000 tractors); and next year it is planning an output of 44,000 units.

This expansion of Bathgate will not produce an entirely net gain to British Leyland, because it is being achieved alongside the gradual run-down of the Albion plant in Glasgow for assembly purposes. Albion will eventually be turned over entirely to the manufacture of major components such as axles, its cramped assembly lines being removed to release space for expansion. At the same time, Bathgate's assembly lines will be extended.

The eventual idea is to create, in Scotland, a relatively integrated organisation for the manufacture of light and medium-weight trucks. Leyland has already gone some way towards this ideal. The Albion range of vehicles, for instance, use a Bathgate-made cab at present, and the two ranges share a number of other common components. But eventually, Albion will emerge as a component "feeder" plant to the assembly lines at Bathgate which will produce just one range of trucks.

These vehicles will also be rationalised and modernised to give Leyland a less fragmented range, and one which is cheaper to produce. Some £31m. has already been committed to this task, and the company is well on the way to laying down 317,000 extra square footage in Bathgate. At the same time, more men are being hired. Leyland's employment in Scotland now stands at 9,100, and should have risen to 10,000 by the end of next year.

Weight

The reorganisation of these two factories is going ahead hand in hand with the larger-scale reconstruction of Leyland's truck and bus interests. The intention of this is to concentrate heavy vehicle output in Leyland, Lancashire, and the light to medium weight trucks in Scotland.

It is not clear as yet precisely what weight ranges Leyland is intending to concentrate in Scotland. The present vehicles, starting at 3.5 tonnes, extend right up the range to 28 tonnes at the top, and it may be that Leyland will want to bring these top weights into the responsibility of the heavy truck group rather than the Scottish interests, using the 16 tonne step-off point for the plant which is normal in the industry.

At the same time, there has been some argument about where production responsibility for the successor to the light-weight Sherpa van should lie. It is at present made by the car division, but some executives feel that it should be made the responsibility of the light truck division.

Whatever the final decision on these matters, the Scottish group is now well on the way to independence. It has its own general manager, Mr. Harold Musgrove, and its own locally-based service operation for marketing, engineering and manufacturing based in Edinburgh. In effect, it is becoming a self-supporting business, which will be expected to design and produce its own vehicles with little interference from Leyland. Mr. Musgrove pointed out recently that Scotland already produces 18 per cent. of all trucks made in Britain and 20 per cent. of the vehicles of under 16 tonnes. But if all goes well, it should be a significantly higher proportion in a few years' time.

The biggest single weakness for Bathgate and the rest of the Scottish industry remains its remoteness from the component-producing areas of the Midlands. In the early days of the industry this was a more acute problem because of the inadequate transport facilities between Scotland and the south; to-day, the motorways have eased the problem. But there is still much discussion of ways of bringing component manufacture closer to the assembly areas, and further efforts to do this are expected.

These weaknesses, however, have not stopped two new vehicle operations starting up recently in Scotland. One is the Ailsa bus and truck assembly business which has been based on Volvo chassis, engines and gearboxes. The concept behind Ailsa was to take advantage of supply shortages in the British bus industry by importing major components from Sweden and adding locally-built superstructures. It has succeeded sufficiently well to encourage the company to diversify into specialist sectors of truck manufacturing.

The other new company is the Stonefield concern which has been set up to make rugged Land-Rover type cross-country vehicles. The Stonefield idea, one which has [illegible] many companies [illegible] Land-Rover's success in world markets. Only a few of these have succeeded, and it is too early to say whether Stonefield will become one of them. But at least the project has shown that there are some new industry concerns being tried in Scotland at a time when the country desperately needs some of the commercial vitality which can be generated by vehicle production.

Terry Dodsworth

Metals efforts prove disappointing

WHEN RIO TINTO Finance and Exploration decided there was no point in continuing to evaluate its studies of mining potential in the Highlands, the decision was a nasty blow to all those who had hoped that something might come from a re-think on the subject. For Riofinex had been invited back into the area by the Highland Regional Council which hoped that, if economically workable mineral deposits could be found, this working would go a considerable way towards helping the difficult employment situation.

The most northernmost parts of Britain have some of the highest unemployment figures. The geography of the region explains why. Small, isolated communities do not lend themselves to the economics of large-scale business and many workers have to travel long distances to find employment.

At Kishorn, for instance, where there is a large operation building platforms for North Sea oil exploration, many of the workers live on site during the week, only returning home at week-ends.

Officials of the Highland Regional Council in Inverness, the local authority for what used to be the counties of Caithness, Sutherland, Ross and Cromarty, Inverness and Nairn, had hoped that mineral working might be the answer to some of their problems. Riofinex had put a lot of effort into prospecting between 1969 and 1972. It discovered what had been believed—that there were deposits of copper, lead, nickel and uranium—but that these were not present in sufficient quantities to make mining them economically feasible.

Exploration

This exploration work had been done in the days before local government reform had brought the large regional council into being. Riofinex had then undertaken its work largely on its own initiative. At the same time, it had been exploring at Coed y Brenin in Snowdonia, when it was bitterly attacked by the conservationists.

The Snowdonian operation had a traumatic effect on both Riofinex and its parent, Rio Tinto-Zinc. The bitter attack launched on the company left scars which show even to this day. The company is hesitant about undertaking work, especially in areas of great natural beauty, which do not have the support of the local population.

What persuaded Riofinex to have another look at its earlier studies was the fact that it had been directly invited to come back by the Highland Regional Council. It found the local authority on its side, which clearly lessened the possibility of direct criticism.

However, there were other factors operating in its favour. Large scale operations have been accepted in the Highlands for some time. Even before North Sea oil, British Aluminium had its smelter at Invergordon on Cromarty Firth. On the whole the local people have accepted this industrialisation with equanimity.

Partly, this is because of the scale of the area. There is a vast amount of environment in the Highlands and whatever man puts up seems almost insignificant in relation to the scale of nature. From a relatively short distance away smoking towers and towering cranes look almost insignificant.

Partly, too, Riofinex were aided by the fact that the environmental lobby is not nearly so vociferous in this part of Scotland. The Highlands are a long way from homes of potential objectors — unlike Snowdonia, where an effective lobby could be mounted within an hour or two. Snowdonia also had a vocal Welsh-speaking minority which, at that time, was anxious to take on almost anything that involved the English. The Post Office, the BBC and second-home owners had all felt the lash and RTZ was just another to come up against the antagonism of the Welsh Nationalists.

Riofinex directed its studies in the Highlands at 23 areas, largely concerned with copper, lead and zinc. For geological reasons, exploration of uranium was restricted to parts of Caithness. It took over 5,000 samples and analysed them for a range of metals. In addition, 41 boreholes were sunk. The results discouraged further activity.

Evidence of uranium was certainly found but it was concentrated in narrow geological bands and the amount available was not considered sufficient to set up some form of processing facility. The amount was probably no more than half that discovered in Sweden, where a decision was also taken not to undertake any further work.

The Highlands are not the only part of Scotland where Riofinex has been active, nor has it been the only company prospecting. It has been investigating in the Grampian region, though not on the same scale, with Consolidated Gold Fields. There is evidence of mineral deposits in that part of the world, too, but in terms of 20th century working it is scanty.

Riofinex will not be drawn on what it has discovered from working around Aberdeen. This is partly because it is one of industry's naturally secretive companies; but it is also conscious that any pronouncement has to be made in conjunction with its partner. However, it is extremely unlikely that the companies will develop anything for the same reasons as in the Highlands—the economies of marketing would not allow it.

Other concerns which have been prospecting include American Metals and the South of Scotland Electricity Board. Amax was working in the north-east and has now withdrawn. The electricity board has done a lot more work, including some on Orkney and Shetland, since its interest in uranium for nuclear power generation is obvious.

The Board has, however, put up a lot of backs and has in consequence generated a lot of opposition particularly among the farming communities. It wanted to follow up initial prospecting by RTZ in Orkney to test and sink bore holes to see whether uranium deposits were viable when the Orkney Island Council refused it planning permission. Since then it has said it does not intend to appeal against the decision, so for the time being the matter is dormant.

There has also been some work done on Shetland, by Messina (Transvaal), for copper. But it is thought the initial findings have also been disappointing. But the Shetland can afford to continue to smile. It still has all that oil coming ashore.

Anthony Moreton

Condemned to silence

POST Office in Brandfort ... n entirely unremarkable ing: a newly-built, single-y, yellow-brick square separate entrances for and white users. It ers in the South African and along the pavement de, the trees have yet to big enough to cast more a postage stamp patch of

at post office is the only to the world outside this street town for Mrs. Winnie ela — wife of the jailed dent of the banned African nal Congress, Mr. Nelson ela — herself a leading in the banned Soweto 'Parents' Association, worker and black ist.

most days she drives the dirt road from her roomed shack in the nfort Bantu Location—it other name, no elec- or water in the houses, pit privy in the back to the post office, in the of a phone call from ly or friends outside.

Mr. Kruger

Mandela has been placed, decree of Mr. Jimmy the Minister of Justice Police, under the most restriction order in force in South She is banned from any political, social or tional gathering, or indeed gathering at all. She is not to enter any area set for blacks, coloureds of mixed race) and except Brandfort Bantu nor any factory or of publication or educa-

under house arrest dusk until dawn, and from taking any part in the publication of any document, or from being quoted inside South Africa. She has in fact been banished to a black location outside a *dorp* (village) in the Orange Free State with which she had no known connection, and where the population, both black and white, speak languages she has never learned.

I met Mrs. Mandela sitting in her car outside the post office. We talked for a short while. *Suddenly a face appeared at the window:* Sergeant Gert Prinsloo, security police. He demanded my name and address, identification. Then he ordered me to go to the police station on the other side of the street to give a statement. *I would be asked,* he said, to give evidence for the State when Mrs. Mandela was prosecuted for breaking her banning order. I declined to give a statement.

The incident was a vivid demonstration of just how far South Africa's drastic security laws are now being taken to silence those whom the State believes endanger its security. Mrs. Mandela is currently facing *five charges of contravening her* banning order. Two others have been dropped. Four white women have been sentenced to jail terms of up to 12 months for refusing to give evidence against her. A black journalist has been subpoenaed to appear in court to do the same.

The latest security clamp-down ordered by Mr. Kruger on October 19, in which the country's leading black newspaper, The World, 17 black organisations and the multi-racial Christian Institute, were outlawed, brought to more than 160 the number of banning orders currently in force *against individuals in* the country.

Mr. Kruger's actions were all taken within the far-reaching provisions of the Internal


Mrs. Winnie Mandela (left) has been banished to Brandfort Bantu Location by Mr. Jimmy Kruger (right), South Africa's Minister of Justice.

Security Act, a replacement and extension of the long-running Suppression of Communism Act, first passed in 1950. The Minister apparently decided that "all Communists are subverters, but not all subverters are Communists," according to Professor John Dugard, Dean of *the Faculty of Law at the University* of the Witwatersrand.

The banning orders presented *on October 19* to men such as Mr. Donald Woods, professed supporter of the moderate white opposition Progressive Federal Party, and editor of the East London Daily Dispatch, and Dr. Beyers Naude, former Minister of the Dutch Reformed Church and director of the Christian Institute, stated "Whereas I, James Thomas Kruger, Minister of Justice, am satisfied that you engage *in activities which endanger* or are calculated to endanger the maintenance of public order. . . ."

A banned person never has to be brought to court: the Minister's "satisfaction" is enough to condemn him. While he may ask the Minister for the reasons behind his action, the latter is not compelled to give them. Mr. Kruger has himself been quite clear on the question. At a by-election meeting *in Durban last year he declared* that the banning of people could not be left to the courts because it was a political issue. There were often cases, he said, where people did not go so far as to qualify for prosecution under the Terrorism Act or Suppression of Communism Act, but were still "threats to the security of the State."

In recent statements, Mr. Kruger has been more subtle in his defence. He told a meeting of foreign journalists that he had used banning orders against *young people when they would* otherwise have been convicted for terrorist activities, because a conviction would be a permanent blot on their records, whereas a banning order could be lifted and forgotten. "You *can't start giving the reasons for* that banning," he added. "Then there would be trial by Press."

After death

The most immediate public effect of a banning order is the *silencing of the individual, and* thus their effective obliteration from public consciousness. Only if the banned person flees the country can he once again be quoted, and then never in South *Africa. The banning order even* runs its full life if the banned person dies. Thus Steve Biko, the black *consciousness* leader who died in police detention in September, may not be quoted until his banning order expires next February.

For outspoken political figures, such a restriction is clearly severe, but the personal restrictions are still more drastic. Until a court case earlier this year, a banning order was generally interpreted to mean that a banned person could only meet one person at a time. But Miss Hella Weinberg *was found guilty of attending* a social gathering by having lunch with one other person. "It means that a banned person is in some respects less free than an imprisoned person who may at least communicate with his fellow prisoners and warders," Professor Dugard said.

Pending an appeal, most banned people are still interpreting their restrictions as allowing them to see one person at a time — apart from their immediate family. But the effect of a restriction order is to prevent many banned people from earning a living, although there are currently no draconian 24-hour house arrest orders in operation. Dr. Naude knows he could take a book-keeping job, but is not qualified to do so. He is qualified to do pastoral work and marriage counselling, but that would involve seeing more than one person at a time. Teachers are banned from school and university campuses, journalists from their newspaper offices, trade unionists from any factory premises. In Brandfort, *there are simply no* jobs available for Mrs. Mandela, even if she was able to do them.

Donald Woods cannot practice his profession of journalism, and is restricted to playing the piano, composing, playing chess and, according to his wife, Wendy, reading about the Nuremberg trials.

Mrs. Helen Joseph, one-time vice-president of the banned Congress of Democrats, was first banned in 1957, and then became the first person to be placed under house arrest, at the age of 57, in 1962. She was still banned in 1971 when cancer of the breast was diagnosed. Even in hospital the security police took the names, addresses and nationalities of all her visitors. And then suddenly the Minister of Justice lifted the ban.

Now aged 72, she is remarkably cheerful and resolute—although as a "listed" person she still can*not be quoted. She is one of* the four women currently on bail pending appeal against her *jail sentence for refusing to* make a statement to be used against Mrs. Mandela. But a *close friend gives some idea of* the pressures of a banning order. "There were times when she must have been depressed," she said. "When she got the cancer, she toyed with the idea of not doing anything about it."

Depression

Of the 161 people listed in the last official Government *Gazette as subject to banning* orders, many are now in detention, or else have fled the country, either unable or unwilling to face the limitations of the ban, or, most probably, unwilling to let their families suffer the effects of the restrictions.

The special treatment of Mrs. Mandela in Brandfort, including alleged police harassment, has resulted in her daughter Zindzi suffering extreme emotional stress and acute depression, according to a psychiatrist giving evidence in a Bloemfontein court.

But perhaps the principal reason for the special treatment of Mrs. Mandela can be found in the apparent failure of the banning system to curb black political activity. "Bannings have failed in the black community," says Bishop Manas Buthelezi, the Lutheran Bishop in Johannesburg and himself banned between 1973 and 1975.

"They are ignored. When one is banned in the white community, I can imagine the whites think of that person as being a traitor or a Communist. But in the black community you have a lot of moral support, so banning doesn't demoralise you."

Mr. Kruger appears himself to have effectively admitted as much when he acted on October 19: while all the white people affected were banned, all the black were detained indefinitely.

Many of those who were banned expected it. They argue that even if the Government does not want to use its repressive laws, the force of the resistance movement in the black community is now so great, and the opportunity for compromise so small, that escalating repression is inevitable. But the sudden renewal of banning and detention without trial has also *caused bitterness among those* who once preached reconciliation.

Bishop Buthelezi distinguishes between reconciliation as a means, and reconciliation as an end. The former, he says, has been made completely untenable by the repressive measures, while the latter can take place only after the black people of South Africa have realised their aspirations.

The same thought comes from a black poet who was banned: "It is not easy to continue to love the man who wilfully harms you and those that you love. Not easy to go on forgiving the same sins, the same atrocities. Not always easy to stand aloof and try unemotionally and objectively to rationalise the destruction of your people.

"A man can take so much. . ."

Letters to the Editor

...pending the ...l revenue

...the Secretary, ...Transport Officers' Guild.

...—The British Transport ...ers' Guild is only too well ...re that much needs to be ...to develop a viable and ...grated transport policy. Yet ...is short, for it takes many ...for a road to be built or ...way electrified.

...is clear to an increasing ...ber of people that some of ...North Sea oil revenue needs ...be spent in improving the ...ity of the total transport ...structure and building into ...flexibility to cope with ... that has many ...

...projects deserving urgent ...ention are as follows: ...fication of the main routes ...Rail. Oil is a finite ...and we need to prepare ...time when it is too ...too expensive for ...transport use. Estab... of strategic road/rail ...centres throughout the ...facilitate the most ... This is particularly ...a development to ...movement of city ...currently the most ...problem. Traffic between cities, by road or rail, is reasonably well catered ...building the Channel ... The influence of this development on air, sea, and rail movements would ...tremendous significance.

...Guild's views represent ...thinking of many senior management staff practically ...in road and rail and ...transport activities: ...transport problems must ...if we are to have a ...policy for this country.

...Rogers.
...m, West Side Offices, ...Cross Station, N.1.

...ollution-free ...fe cars

...the Director General, ...Safety Council.

...—I read with amazement ...ticle "Detroit caught in a ...squeeze" from your New ...correspondent (November ...) undoubtedly influenced by ...troit cabal who see issues ...differently to my ...Ralph Nader, myself and ...safety men.

...withstanding the exhaust ...ion controls in Los Angeles, ...weeks ago while driving in ...smog-bound city I had to ...to eye drops to ease my ... Why? Because the Detroit ...ur lobby—which your cor...ondent thinks is "un...inated"—has persuaded ...can drivers and your cor...ondent that "emission stan... reduce efficiency ... increase fuel consumption." ...orant, misinformed drivers ...ave emission control equip... taken off new cars and ...sore eyes.

...ere on earth does your cor...ondent get the figure of $200 ...for passive restraints such ...bags? Presumably from the ..."un-co-ordinated" Detroit ...which breaks my heart. ...to the safety systems which ...be better left to the tech... judgments of Detroit's own ...eers" has your correspon... looked at the result of their ...ise? Has he looked at the ...condemned Corsair, the ...of the American Pinto ...is the subject of a pro... liability case in Orange ...which I sat in on three ...ago, and has he looked at ...massive list of cars which ...been recalled off American ...because of dangerous manufacturing or design defects, or does he even know that such a list is issued by the U.S. Government?

Finally, as Joan Claybrook, former Ralph Nader aide, now the boss of the U.S. Department of Transportation National Highway Traffic Safety Administration, said to me in London two weeks ago, and as your correspondent correctly reports, if the Japanese can succeed brilliantly in producing competitively priced, fuel efficient, pollution-free, safe cars: why cannot the Detroit four, or for that matter U.K. manufacturers, do the same?

James Tye.
National Safety Centre,
Chancellor's Road, W.6.

Analysing industry

From Dr. Frank Heller

Sir,—Your correspondent's review (November 22) of the efforts to establish a policy research *capability in* Britain failed to justify or explain why this initiative is constantly referred to by the name Brookings. We all know that an excellent American institution of that name exists and has done "sterling" work. *The American* institute has used almost exclusively two disciplines, namely economics and political science, while several other superb American policy research organisations have concentrated on other *aspects of research* and policy.

When Professor Dahrendorf started the British debate, he saw the function of the new body as initiating a rigorous examination of the British malaise. Being a distinguished sociologist himself, it is unlikely that he would have chosen to confine the relevant disciplines as narrowly as the American Brookings. Moreover, eminent analysts of Britain, including the Harvard economist, Professor Caves, have seen our problems more in the social and maybe even in the psychological field than exclusively in the economic-political.

My own 25 years' experience as an analyst of British industry *and consultant* to two South American countries certainly suggests that a top level policy think tank could help business and government make better decisions, but in the British context it is essential that a variety of social science disciplines, including economics, are included. There is plenty of evidence here to show that economists on their own, even the most eminent, have not solved the British malaise.

(Dr.) Frank A. Heller.
The Tavistock Institute of Human Relations,
The Tavistock Centre,
Belsize Lane, N.W.3.

Investment in forestry

From the Chief Executive, Economic Forestry Group.

Sir, — Having raised the subject of forestry some weeks ago, I would quickly like to dispel any misunderstandings which could arise as a result of the letter from Mr. Richard Neale regarding *U.K. self-sufficiency* in timber and wood products (November 22) when he commented on figures used by my colleague, Mr. Cooper (November 18).

Mr. Cooper's figures are based on *the cost* of all timber and wood products including the pulp and paper classification as used by the Department of Trade and Industry. In 1976 *the cost* of the imports was £2.1bn.

We must not assume that an increase of 8 per cent. per annum in production levels of wood from U.K. forests will dramatically influence the 92 per cent. *wood imported to meet our* current needs in this sphere. Home-grown timber supplies, however, currently represent a saving of £250m. per annum. As forests mature, the import saving potential will certainly become *even more significant, but it will* not come anywhere near achieving self-sufficiency. Even in the EEC, where 50 per cent. of the demand for timber and wood products is met by imports, self-sufficiency is not a practical proposition.

This is not to deny that future projections relating to production levels and market potential are an *essential element in* presenting the case for increased investment in forestry. The Scottish National Party in a forestry policy statement issued on November 21 and reported briefly in your columns of the same *date would seek to double* Scotland's national forest area to 2.4m. hectares producing 24m. cubic metres when in full production in the next century with a stated value at current prices of £330m. per annum which if processed in the U.K. by added value will increase to £1.6bn. per annum.

Similar projections have been made a *number of times during* the past five years as part of the process of establishing future U.K. forestry needs arriving at a somewhat less ambitious planting programme which would result in 2m. hectares of coniferous *forest by the* year 2000 with a maximum self-sufficiency of up to one-third in certain product categories.

Besides the *investment in* creating new forests by the Forestry Commission and the private sector, over £250m. has been invested in the U.K. wood-processing industry during the past 25 years. Surely the need *is to co-ordinate timber growing* and production in the forest with efficient, well-planned processing industries capable of marketing the end-products in the face of world competition. The Government must surely see that *this is an* industry worthy of some support from surplus North Sea oil revenues.

J. G. Campbell.
Forestry House,
Great Haseley, Oxford.

Creditors and debtors

From Mr. D. Jerome.

Sir,—With reference to Mr. M. Scully's letter (November 22) regarding the high cost to creditors for mistakes made by the County Courts in the handling *of debt recovery actions.* I would confirm that we also have experienced many cases where the County Court bailiffs have apparently failed to take effective steps to serve summonses or execute warrants of execution and in many cases the returns are incorrect. This we feel is partly due to the substantial increase in the number *of actions which* now have to be issued in the County Court.

It would appear to us that it is the intention of the Lord Chancellor's office to relieve the High Court of most, if not all, cases dealing with debt collection. The present position is that the County Court has the exclusive jurisdiction in relation to debts of £350 or less as creditors can *only* recover costs against the debtors for debts of this amount if proceedings are issued in the County Court.

Prior to April of this year, the amount of the debt in the High Court upon which costs could be recovered, was £150 and over and the increase to £350 has substantially increased the number of County Court Summonses (the increase in respect of our collection actions is 26.48 per cent.). The result is that some *County Courts are inundated.* In our experience the County Court bailiff compares unfavourably with the High Court Sheriff and any inefficiency involving delay or failure to collect by way of execution necessarily involves *creditors in loss and* this in turn can only have the effect of making the manufacturers and suppliers wary of giving small amounts of credit.

It would appear to us that following the report of the Payne Committee on the enforcement of Judgment Debts in 1968 which emphasised the necessity to improve the execution and enforcement arm of the High Court and the County Court, no action has been taken and in fact the changes made have weakened the possibility of creditors obtaining settlement of their outstanding accounts and has increased the cost of taking legal proceedings and most of the increased cost is not recoverable from the debtor as the Lord Chancellor's office does not appear willing to increase the recoverable cost payable by *debtors.*

D. R. Jerome,
(Director).
The British Mercantile Agency.
Sidcup House,
12-18, Station Road,
Sidcup, Kent.

An essential British show

From the National Secretary, Contractors Mechanical Plant Engineers.

Sir,—The attitude of the member - *companies* of the Federation of Manufacturers of Construction Equipment and Cranes, quoted in your report, "Cranemakers' Boycott," by your industrial correspondent (November 16) is understood, as they represent multi-national interests which, since our entry into the EEC, have come to regard Britain as Europe's off*shore island. That attitude may* not, however, be appreciated by members of this association, a number of whom are buyers of plant, and who, I would suggest, prefer a major exhibition on their own soil. This is borne out by the 67,860 registered visitors from the U.K. at the 1976 Public Works Exhibition.

FMCEC perhaps assumes that *individual British buyers make* their own way to exhibitions such as Bauma and Expomat but, *in my* association's experience, this is not the case. Attendance at those shows is usually enjoyed by a privileged few *on* "hospitality trips." arranged in a majority of cases by the named manufacturers, whose proposed boycott of PWE *indicates a major interest in the* Continent rather than the home market.

The staging of the PWE at the National Exhibition Centre, Birmingham, in 1976 was a welcome move, in that it permitted potential British buyers to commute daily to the show, and the expectation of its being held, at that venue, every two years, *was generally acclaimed.*

FMCEC having persuaded the organisers of Bauma to stage their show on a three-year basis, and of Expomat on a four-year basis, strongly emphasises the need for a major exhibition in Britain every two years, and my association sincerely hopes that the organisers of PWE may not be diverted from arranging it on that basis. A British show for British purchasers is essential!

K. P. Wilcox.
3, Stickens Lane,
East Malling,
Maidstone, Kent.

To-day's Events

GENERAL

Mr. Denis Healey, Chancellor of the Exchequer, begins two-day visit to Bonn, during which he will have talks with Federal Government and also address German Chamber of Commerce.

International Monetary Fund team begins second week of talks with Treasury on prospects for U.K. economy.

Fire Brigade's Union executive reviews strike situation.

Mr. Li Chiang, Chinese Foreign Trade Minister, arrives in London for official visit.

EEC Development Ministers meet, Brussels.

EEC Agriculture Ministers end five-day talks in French West Indies.

Mr. Anthony Wedgwood Benn, Energy Secretary, will be chairman at first meeting of Energy Commission.

Mr. Eric Varley, Industry Secretary, speaks at British Institute of Management conference, London Hilton, W.1.

CBI Employment Policy Committee meets.

Sir Richard Marsh, chairman, Newspaper Publishers' Association, opens U.S. Government sponsored exhibition of Printing and Graphic Arts Equipment, U.S. Trade Center, 4-5, Langham Place, London W.1 (until December 1).

De-briefing of London Chamber of Commerce trade mission to Venezuela, 69, Cannon Street, London, E.C.4, 11.30 a.m.

PARLIAMENTARY BUSINESS

House of Commons: Private members' motions. Motion on EEC documents on fisheries. Motion on code of practice on time off for trade union activities.

COMPANY MEETINGS

See Week's Financial Diary on Page 22.

BALLET

Royal Ballet dance Swan Lake, Covent Garden, London W.C.2, 7.30 p.m.

MUSIC

Park Lane Music Players, conductor Rudolf Schwarz, in programme of Haydn and Corelli, and Mozart's Violin Concerto No. 5; G. soloist Ida Haendel, Queen Elizabeth Hall, S.E.1, 7.45 p.m.

Clifford Curzon gives piano recital of works by Brahms, Beethoven and Schubert, Royal Festival Hall, S.E.1, 8 p.m.

SPORT

Soccer: England v. Norway youth international, Fulham Football Club, London S.W.6 (7.30 p.m.). Squash Pakistan International Airways World Series, Wembley.

APPOINTMENTS

Group executives join Board of Boulton & Paul

Mr. D. G. Berwick, Mr. A. R. L. Carr and Mr. D. V. Crome, senior group executives of BOULTON AND PAUL, have been appointed to the main Board.

★

Mr. Roy Hodgson has joined the Board of the BRITISH PRINTING CORPORATION as personnel director. He has been head of personnel since June 1977 and joined BPC as industrial relations adviser in 1972. Mr. Clive Bradly, chairman and chief executive of Sun Printers, Watford, will take over additional responsibility as chairman of the Commercial Printing Group following a restructuring decision made by the Board of BPC. Mr. Bradley remains executive chairman of Sun Printers and will continue to be based there. Mr. Bob Phillis has been appointed managing director of Sun Printers. He has been personnel director since 1976. Mr. Derek Mangan, chief executive of the Commercial Printing Group, is leaving the corporation.

★

Mr. R. H. MacWilliam has retired as chairman and from the Boards of Unilon Holdings and Union Corporation (UK). He remains a director of UNION CORPORATION, the parent company.

R. Andrew Bruce, Mr. Michael Waterhouse and Mr. Brian Weight have been made assistant vice-presidents. They are all based at the bank's London office.

★

Mr. D. W. Rogers is to be managing director of STANDARD GAS FITTINGS, of Birmingham, now a division of Carron Company. Also on the division board are Mr. R. L. Hascher, Mr. K. Brauer, Mr. E. S. Priest and Mr. I. M. Bolton.

★

Captain R. W. Ebley is to become superintendent of pilotage for the PORT OF LIVERPOOL in January to succeed Captain John Batson, who will take up other duties within the marine department of the Mersey Docks and Harbour Company.

★

Mr. L. A. Jones is to become secretary of the LAND SECURITIES INVESTMENT TRUST on January 1. He will succeed Mr. S. L. Morrison, who is retiring on December 31 after 26 years with the company. Mr. Jones is at present secretary of the principal subsidiaries in the group.

HOME CONTRACTS

Sprinklers for Hoover

PLANT & MACHINERY SALES

WANTED

BORDEAUX AT THE CROSSROADS

BY DAVID CURRY

The king and the plonk

THE DINNERS of the *Journees Gourmandes* which mark the end of the Bordeaux grape harvest comprise eight courses and as many wines. From the aperitif of Sauternes to the Cheval Blanc 1966 with the cheese the ritual is a homage to the Bordeaux grape.

It is a homage addressed in *the main to Bordeaux red—the* traditional claret—which, in spite of the traumas of speculation and scandal, still remains *the king of wines*. However, those traumas have brought dramatic change to Bordeaux, notably an attempt to impose orderly marketing and controlled prices on a system which has always been both speculative and anarchical.

The system rests on two pillars. The first is the fixing of upper and lower prices for each of the five big *appellations* of Bordeaux wine—three red and two white. Only the top 5-10 per cent of *crus classes* and *grands chateaux* are exempted from this price bracket.

The second pillar is the constitution of an intervention or buffer stock of wine which will be used to regulate the quantities of wine on the market so as to prevent prices going through the roof in times of poor harvests and through the floor when there is abundance. The implementation of this scheme rests with the governing body of the growers, the *Conseil interprofessionnel du vin de Bordeaux* (CIVB), which was given statutory powers to organise the industry in 1975 in the wake of the speculation and scandal of the early 1970s.

The meagre 1977 harvest (around 2m. hectolitres compared with an average of 3.3m.) following spring frosts has meant that there is insufficient wine to build up the buffer stock which will have to wait for a better harvest. However, CIVB officials think that it is probably a blessing in disguise to be obliged to introduce the system gradually, given the long tradition of belligerent individualism among many producers.

Traumas

These measures form the Bordeaux Contract. M. Jean-Paul Jauffret, former CIVB president (and probably the next one as well), and the author of the contract admits: "The traumas of the black years of 1973-75 caught us napping in our ivory tower. We had to adjust to the new realities of a different clientele, the competition from new vineyards, the claims of new distribution channels, and the very problems caused by the enormous diversity of Bordeaux wine."

Some details remain to be settled, notably the Government's contribution to the financing of intervention stocks. When the harvest is in surplus the CIVB will hold a tender to take wine into intervention. The stocks would be kept at the producer's, but he would be able to borrow from the national farming bank, the Credit agricole, against his stocks, and the CIVB would meet the charges on the borrowing. In return, the producer will have to release his wine on to the market on CIVB instructions. A Frs.20m. (£2.3m.) war chest is required for an intervention stock initially put at around 300,000 hectolitres. A fifth of it should come from a sales tax.

There is a subsidiary mechanism to the intervention stock which will apply if the *amount needed to be taken off* the market is beyond CIVB's financing capabilities. In that case the wine remaining after the intervention stock has been constituted would be blocked compulsorily at the producers' at his own expense. It will be released the following year and, if necessary, replaced by putting an equivalent volume of new wine into reserve.

With the formation of these stocks impossible this year because of the poor yields, the burden of market organisation has fallen on price controls. In May the CIVB general assembly conceded an average 20 per cent. increase and earlier this month it agreed to a further 10 per cent. rise, the minimum acceptable to growers. The price bracket for *appelation Bordeaux* thus moves to Frs.3,200-3,800 a barrel.

Price tensions should be cushioned by the existence of some 4m. hectolitres of stocks on farms and at dealers, of which around half will be available for marketing in 1978 while around 80 per cent of this year's harvest will be sold in the course of next year.

The hope is to put a bottle of *reliable* appellation Bordeaux within the customer's reach at around Frs.8-8.50 a bottle. While the CIVB believes it is about *on target, a number of retailing* chains think that the CIVB is too optimistic and that severe price rises could well become inevitable.

The first stage of quality control is that carried out by the Institut national des appelations *d'origine to permit the wine to* carry the *appelation controlee* designation. Bordeaux claims that these tests, based on composition and taste, are more rigorous than in other areas.

On top of this the CIVB imposes its own tests. Wine for export is subject to spot checks and at the second infringement of quality norms the export certificate can be withdrawn.

While *red wine* has attracted international attention, some 40 per cent. of Bordeaux production is white, and it is the problem of this white which is beginning to pre-occupy the CIVB. M. Paul Glotin, president of the CIVB, points out that there are three distinct problems. The first is the decline of consumption of sweet wines and the high production cost in relation to their low yield. This afflicts the Sauternes family above all. The second difficulty is the failure of the drier wines like Entre deux mers to establish a positive image. The third problem is what to do with a great deal of undistinguished white.

White wine

Ten years ago the region produced 1.3m. hectolitres of white and 900,000 of red. While the proportion has been reversed there are still many growers depending on white alone.

The problem with Sauternes is that its fame is greater than its popularity. Sauternes and related sweet wines like Barsac have a dowager duchess and pearls image that is too elderly. Within Bordeaux itself younger households serve Sauternes as an aperitif to guests. In France as a whole, and overseas, sales are retreating before the growing preference for drier wines.

On top of this is the difficulty of higher costs imposed by weak yields. In a good year a yield of 25 hectolitres to the hectare *can be hoped for which is half* the yield for red wine: this year Sauternes is yielding no more than 10 hectolitres to the hectare. Producers complain that a price of Frs.10,000 for a 900 litres barrel does not cover their costs, which from the point *of view of the consumer means* that the bottle of Sauternes is *beginning* its career in the distribution network at at least Frs.10 (£1.15).

In some ways the twin crises of speculation and fraud which afflicted Bordeaux in the early *1970s marked the end of the* old regime in the most prestigious vineyards in the world. The majestic rhythm of Bordeaux, *the social elite of the* dealers, the famous *chartrons*, whose cellars line the Gironde and whose elegant 18th-century houses are the glory of the beautiful city, the entrenched Protestant hierarchy: all are features of traditional Bordeaux. Now *something* is being *grafted* on to them — a new sort of manager thinking of a bottle in terms of cash-flow rather than a *work of art*, the *chemists* making possible accelerated vinification, the buyers from the supermarket chains.

The Bordeaux Contract is intended to bring to terms these two elements: the exigencies of modern marketing and the love of a traditional product which has stamped a culture.

COMPANY NEWS

S.W. Farmer placing at 104p

STRUCTURAL STEEL engineers S. W. Farmer, has completed arrangements for the placing of 782,908 Ordinary 25p shares at 104p. The placing has been handled by Samuel Montagu and Company while brokers are Fielding, Newson-Smith and Company.

The authorised share capital has been accordingly increased from £100 to £750,000 by way of a capitalisation of reserves. The placing is designed to provide the group with a share quote and the market capitalisation at the issue price is £2.42m.

After the placing the group will be left with authorised but unissued capital of £168,658. Mr. Sydney Farmer, chairman, said that the increased capital would provide greater opportunity and flexibility to arrange any future financing needs.

At November 4, the group had outstanding mortgage loans of £31,336, secured bank overdrafts of £318,820 and contingent liabilities in respect of guarantees and indemnities amounting to £436,322 against bank balances of £1,158,619.

In the current year ending December 30 the group is forecasting pre-tax profits of not less than £850,000 compared with £701,000 last year. At the interim stage pre-tax profits stood at £500,000.

On the basis of these profits the group is to declare an interim dividend in respect of the year of 7.65p gross but had the company been public for a full year dividends totalling 11.5p gross would be proposed.

On the profits forecast the earnings per share at the issue price would be 17.55p giving a prospective p/e of 5.93 while a dividend of 11.5p gross would yield 11.06 per cent.

● comment

S. W. Farmer pre-tax profits have risen by 37 per cent. and 33 per cent. in the past two years while on current forecasts the profit increase this year should be at least 21 per cent. Around 75 per cent. of group turnover is generated by the oil industry and since 1973 when profits slumped to £40,000—as spiralling costs coincided with a sharp fall in demand from the U.K. oil industry—the group has been increasing its market overseas so that the Middle East now contributed 48 per cent. of turnover last year. Demand from the oil industry for steel structures and refinery furnaces has continued to be steady and the worldwide spread of operations has tended to cushion the group from any downturn in a particular region. Most contracts have a life span of less than a year and the cash flow situation looks strong as does the balance sheet with a nil gearing ratio. Meanwhile the yield and p/e look strong enough to attract sufficient demand for the shares.

HOGG ROBINSON

Hogg Robinson Group announces the formation of International Insurance Services (Bermuda) to provide a placing service in Bermuda for its U.K. and international clients.

Walker Sons £0.58m. for 18 months

On turnover of £11.53m., Walker Sons and Co. (U.K.) made profits of £577,541 for the 18 months to March 31, 1977, before tax of £117,216. For the previous 12 months the figures were £4.97m., £102,347, and £31,139 respectively.

Earnings per £1 share are shown at 17.66p (22.3p). Once again there is no dividend. The last payment was for 1969-70.

The figures have been translated from Sri Lankan rupees at the rate ruling at March 31, 1977, namely 12.4418 Rupees to the pound. On October 15, 1977, the Sri Lankan rupee was devalued to 29 rupees to the pound, the effect of which is that the shareholder's interest included in the accounts at £2.06m. would become £882,986.

The auditors are unable to satisfy themselves as to the value of the certain material assets and the accuracy of the tax provisions and they are unable to express an opinion on the accounts.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Brady Industries, Charterhall Phipps, Leisure Caravan Parks, London and Midland Industrials, Mansfield Brewery, Marshalls (Halifax).

Finals—Matthew Brown, J. H. Fenner, Grand Central Investment.

FUTURE DATES

Interims—

Baker Perkins	Dec. 8
Bishops Stores	Dec. 2
Duraplee International	Dec. 14
English Card Clothing	Dec. 7
Graham Wood Steel	Dec. 8
Paradise (B.)	Dec. 2
Pilkington Bros.	Dec. 7
Sunrie Clothes	Nov. 30
Tecalemit	Nov. 29
Vinten Group	Dec. 3
Waddington (John)	Dec. 9

Finals—

CompAir	Dec. 14
Southreal	Dec. 13
Williams (John) of Cardiff	Dec. 7

Charterhall Finance to maintain earnings

Members of Charterhall Finance Holdings were told by Mr. D. G. Williams, the chairman, at the AGM that the development of the Buchan Field is proceeding as planned and the programme is geared to bring the field on to production by the end of the third quarter of 1979.

In the U.S. the natural gas ventures are progressing most satisfactorily, he said. All the wells in Programme III at Youngwood are commercially productive and have been connected to the pipeline. The first four of these were put on production on November 18. The future production from these ten wells has been sold to a major steel company in the Pittsburgh area.

An area has been acquired in a further venture at Clover Run, Pennsylvania. This prospect is similar to those in the five programmes in which Charterhall America Inc. already has participations and initially involves the drilling of eight wells.

On the Mt. Keith nickel venture in Western Australia, following the results of a magnetic induced polarisation survey, the manager of the project has formulated a test drilling programme to further evaluate the claims.

Although it is anticipated that the oil and gas ventures in the medium to long term will constitute the most substantial part of the group's fortunes, the financial activities for the present time will provide earnings for the group around their current level, Mr. Williams added.

A scheme of reorganisation of CCP North Sea Associates is being formulated and, subject to all necessary approvals, including those of the CCP shareholders, the directors hope that this can be implemented to achieve the separation of the Charterhall Group's interests from those of the other shareholders of CCP within the next few months.

Turnround by L & K Fertilisers

On sales up by £1.65m. to £9.77m., Lindsey and Kesteven Fertilisers (an unquoted company) achieved a turnround from a loss of £133,911 to net profits of £114,292 for the year to June 30, 1977. The dividend is 8 per cent.

The chairman, Mr. Charles Sinclair, says the horticultural fertilisers and composts division achieved record sales and profits with a 38 per cent. increase in growth despite a decline in certain areas of the general market.

Mr. Sinclair hopes for another record year in the horticultural division but with regards to the company as a whole he says that with increased prices of raw materials and very heavy forward selling at to-day's prices by the major companies, any possible increase in profitability has been prejudiced.

APV to take 30% stake in Holvrieka

APV Holdings and Holvrieka Holding B.V., of Holland, are looking for a closer co-operation in the future, and to this end APV will take up a 30 per cent. shareholding in the Dutch company.

APV will have access to the Holvrieka evaporator and therefore the APV sales network will become an additional outlet for the Holvrieka evaporator.

The arrangements between Holvrieka and DEC (Dairy Equipment Company of U.S.) will be strengthened by the marketing agreement which already exists between APV and DEC.

Holvrieka fabrication companies in Holland will be available for the placing of work by APV group companies.

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Industrial and Commercial Finance Corpn. (section: Loans—Financial): 5½pc Deb. Stk. 80-82, 6½pc Deb. Stk. 81-84, 7½pc A Deb. Stk. 89-92, 7¼pc A Deb. Stk. 91-94, 9pc A Deb. Stk. 91-94.

Nigerian Electricity Supply Corpn. (section: Overseas Traders).

Philip A. Hunt Chemical Corpn. (section: Overseas—New York).

See Page 29

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Basildon (0268 22881)	10¼	½-year	10,000	7-10
Knowsley (051 548 6555)	9½	½-year	1,000	4-7
Redbridge (01-478 3020)	9½	½-year	200	4-7
Sandwell (021 569 2226)	9½	½-year	1,000	3
Sandwell (021 569 2226)	9½	½-year	1,000	4-6
Thurrock (0375 5122)	9½	½-year	300	4
Thurrock (0375 5122)	10	½-year	300	5-7

HOME NEWS

Packaging concerns raise sales 33%

BY MAX WILKINSON

PAPER AND board packaging companies increased sales by an average 33 per cent. in the three years up to last January, according to an analysis published today.

The report, by ICC business ratios says that most of the growth was concentrated in last year and reflected higher prices rather than improved volume.

The report is based on an analysis of 60 companies in the industry. It shows growth rates differed widely with nine companies showing sales increasing at more than 20 per cent a year, while 14 companies grew at less than 10 per cent. a year.

Total profits of the companies fell in the middle year of the study, followed by an increase of 24 per cent. last year. But the number of loss-making companies increased steadily.

When the companies were analysed for return on capital it was found that in 1974, average return was nearly 18 per cent. This fell in 1975 to 14 per cent. and then recovered last year to an average of 16 per cent.

Significantly, the number of companies with an average return on capital of more than 30 per cent. fell sharply while the number with a return of less than 10 per cent. rose in the period.

The total number of people employed by the companies fell slightly, but average sales per employee increased by 42 per cent. Average pay went up by 49 per cent.

The report says that there was a wide difference in performance between companies. For example, one company used its assets more than three times as efficiently as another. One company's liquidity was nine times as high as that of others. And there was a wide variation in credit periods, pay and sales per employee.

Shipping rates 'will improve'

By Our Shipping Correspondent

WORLD SHIPPING freight rates will remain depressed for the next year, but should improve in 1979 and lead to a widespread improvement in trading conditions in 1980, according to the latest set of forecasts from Terminal Operators.

The report takes issue with recent projections from the Organisation for Economic Co-operation and Development which suggested that a severe oil tanker surplus until 1985 or even 1985 will continue to depress the shipping market.

Terminal Operators says that strong improvements in the dry cargo market will offset this overtonnaging, although it accepts that this "guarded optimism" is dependent upon the reliability of world economic forecasts and on the degree to which shipbuilding activity is reduced.

One aspect introduced into the report's calculations is a full analysis of the effect of the fall in productivity of the world fleet because of the high incidence of slow steaming, especially by tankers.

A review of the shipping market to 1980: Terminal Operators, Rodwell House, Middlesex Street, London E1 7HJ.

Review on way of mergers and monopolies

BY ELINOR GOODMAN

THE GOVERNMENT is to give details this week of a review of competition policy which could result in big changes in the rules governing mergers and monopolies.

The review, first promised this summer, should be completed within a year.

The Department of Prices, which will co-ordinate the review, is already committed to merging the Price Commission and the Monopolies Commission into one competition body. A study of some of the assumptions behind present competition policy is also involved in the review.

It will be carried out against the background of a wave of recent academic research which has suggested that a high proportion of mergers in this country have been unsuccessful and that industry has not benefited from the move towards greater concentration.

Although this research has been attacked by other academics, it appears to have won favour in the Department of Prices.

The Government has already said that it wants to make various changes to the Fair Trading Act, such as making it easier for the Office of Fair Trading to uncover restrictive practices.

The review will also tackle a number of more fundamental questions such as whether the onus of proof in mergers studied by the Monopolies Commission should be reversed.

This would mean that the parties to a merger would have to prove a positive advantage in the deal going ahead, rather than, as now, merely establishing that it would not be detrimental to consumers.

At the same time, the investigation would have to solve the thorny question of how to reconcile the Government's overall industrial strategy—which in some cases may involve encouraging companies to merge to form a stronger single entity—with competition policy.

Dilemma

This dilemma was graphically illustrated last year when the various Government departments took very different views over the advisability of the proposed merger between the two sugar processors, Tate and Lyle and Manbre and Garton.

Mr. Roy Hattersley, Secretary for Prices, said last week that this was one of the areas he hoped the review would tackle. His hope seems to be that the survey will result in a more flexible policy that will accommodate both of the Government's objectives.

Tough line urged on TV material from abroad

BY ARTHUR SANDLES

IN THE MIDST of Independent Broadcasting Authority negotiations with Britain's commercial television contractors over an IBA request for less imported material on U.K. screens, the authority is being urged to take an even tougher line.

The Radio and Television Standards Committee, an industry lobby group made up of trade unions and professional bodies, is seeking a meeting with the IBA director general, Sir Brian Young, to press him to cut heavily the use of imported material and old films on ITV.

This follows rumours of a change in the present IBA limit of 14 per cent. on foreign content. The percentage is on total programmes but, in fact, foreign material tends to be bunched in peak times. The IBA wants the companies to make greater use of independent production facilities and to commission work, rather than buy foreign products.

Mr. Peter Plouviez, Safeguard Committee chairman and general secretary of Equity, the actors' union, said yesterday that there was considerable concern "among all those who contribute to broadcasting in this country about the disproportionate amount of foreign and old cinema material appearing on British television."

The committee had asked the IBA for a meeting "to clarify the situation and to seek assurances that no unilateral alteration to the foreign quo... is contemplated."

Pending dividends timetable

[illegible] the convenience of readers the dates when some of the [illegible] portant company dividend statements may be expected in [illegible] few weeks are given in the following table. The dates [illegible] those of last year's announcements except where the [illegible] Board meetings (indicated thus*) have been officially [illegible]. It should be emphasised that the dividends to be [illegible] will not necessarily be at the amounts or rates per cent. [illegible] the column headed "Announcement last year." Preliminary [illegible] usually accompany final dividend announcements.

Company	Date	Announcement last year	Company	Date	Announcement last year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

[illegible] quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Equal repayments.

Effective from November 19.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RECENT ISSUES

EQUITIES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

BASE LENDING RATES

[illegible] Bank	6 %	Hill Samuel	6 %
[illegible] Irish Banks Ltd.	6 %	C. Hoare & Co.	6 %
[illegible] Express Bk.	6 %	Julian S. Hodge	6 %
[illegible] Bank	6 %	Hongkong & Shanghai	6 %
[illegible] Ltd.	6 %	Industrial Bk. of Scot.	6 %
[illegible]	[illegible]	Keyser Ullmann	6 %
[illegible] de Bilbao	6 %	Knowsley & Co. Ltd.	6 %
[illegible] Credit & Cmce.	6 %	Lloyds Bank	6 %
[illegible] Cyprus	6 %	London & European	6 %
[illegible] N.S.W.	6 %	London Mercantile	6 %
[illegible] Belge Ltd.	6 %	Midland Bank	6 %
[illegible] du Rhone	6 %	Samuel Montagu	6 %
[illegible] Bank	6 %	Morgan Grenfell	6 %
[illegible] Christie Ltd.	6 %	National Westminster	6 %
[illegible] Holdings Ltd.	6 %	Norwich General Trust	6 %
[illegible] of Mid. East	6 %	P. S. Refson & Co.	6 %
Shipley	6 %	Rossminster Accept'cs	6 %
[illegible] Permanent AFI	6 %	Royal Bk. Canada Trust	6 %
[illegible] C & C Fin. Ltd.	6 %	Schlesinger Limited	6 %
[illegible] Ltd.	6 %	E. S. Schwab	6 %
[illegible] Holdings	6 %	Security Trust Co. Ltd.	6 %
[illegible] house Japhet	6 %	Shenley Trust	6 %
[illegible] Coates	6 %	Standard Chartered	6 %
[illegible] dated Credits	6 %	Trade Dev. Bank	6 %
[illegible] ative Bank	6 %	Trustee Savings Bank	6 %
[illegible] ian Securities	6 %	Twentieth Century Bk.	7 %
[illegible] Lyonnais	6 %	United Bank of Kuwait	6 %
[illegible] Lawrie	6 %	Whiteaway Laidlaw	6 %
[illegible] rust	6 %	Williams & Glyn's	6 %
[illegible] Transcont.	6 %	Yorkshire Bank	6 %
[illegible] ondon Secs.	6 %		
[illegible] rat. Fin. Corpn.	6 %		
[illegible] at. Secs. Ltd.	6 %		
[illegible] Gibbs	6 %		
Durrant Trust	6 %		
[illegible] und Guaranty	6 %		
[illegible] ys Bank	6 %		
[illegible] s Mahon	6 %		
[illegible] Bank	6 %		

■ Members of the Accepting Houses Committee.

* 7-day deposits 3½%, 1-month deposits [illegible]

[illegible]

INTERNATIONAL COMPANY NEWS

Sharp gain at Commerzbank

BY GUY HAWTIN

FRANKFURT, Nov. 27.

COMMERZBANK, West Germany's third largest commercial bank, to-day reported a heavy increase in operating profits during the first ten months of the year. An interim report told its shareholders, that compared with same period of 1976, operating profits had risen by a fifth.

The profits drive this year has come from the bank's activities in the securities and foreign exchange markets. The interim statement said that interest margins during the ten months remained at just under the average level for 1976.

Interest earnings also rose thanks to a powerful growth in the bank's business volume. They rose by 6.5 per cent. from DM793.8m. to DM845.5m Commission earnings, however, went up by a more modest 2 per cent., from DM220.2 to DM224.7m.

As a result of the unsatisfactory level of capital investment this year, demand for industrial credit remained weak, said the statement. This had been offset by the demand for funds from public authorities, lively demand for credit from private customers, and the bank's foreign business.

The business volume of the bank rose by 11.5 per cent. against the comparable period of last year to DM47.49bn. (£11.78bn.), while the group's consolidated business volume exceeded DM70bn. At the same time the parent bank's balance sheet total went up from DM41.37bn. at the end of the first 10 months of 1976 to DM46.87bn.

According to the report, the bank's credit volume grew from DM25.58bn. to DM27.53bn. Of this, exchange credit declined from DM4.54bn. to DM3.75bn., while book credit to customers and other banks rose from DM21.04bn. to DM23.78bn.

Advances to customers went up from DM18.68bn. to DM21.74bn., of which some DM10.83bn. was long term compared with DM8.21bn. at the same point of 1976. Short term credit rose by only 4 per cent.

Total credit advanced to private customers rose to DM5bn. and now accounts for just under a quarter of all domestic book credit. At the same time, a lively demand for savings certificates brought sales up to more than DM1.5bn.—more than double the level of the same period of 1976. However, the continued strong interest in higher interest yielding certificates has had "an unhealthy influence on savings accounts," said the report.

K MART CORP.

Third Quarter	1977 $	1976 $
Revenue	2.405bn.	2.029bn.
Net Profits	62.12m.	55.49m.
Net Per Share	0.50	0.45
Nine Months		
Revenue	6.756bn.	5.699bn.
Net Profits	174.60m.	156.43m.
Net Per Share	1.41	1.27

E. African Airways debts of £67m.

By John Worrall

NAIROBI, Nov. 27.

A first meeting of creditors of the defunct East African Airways Corporation held on Friday was told that the airline owed more than 50m. Kenya pounds (some £67m.) when it collapsed early this year.

About 7,000 claims have been received from creditors. Overseas claims number about 500 relating to trade creditors and unused tickets. Lost baggage claims number 3,000 amounting to nearly K£2m and 3,000 claims came from employees owed about K£3m. The Kenya Customs and Excise department filed a claim for more than K£18m. for import duties and sales tax.

Dr. D. J. Coward, Kenya's registrar of societies said his staff had been impeded in the collection of outstanding debts because some of the corporation's records were missing.

Tanzania and Uganda owed some K£8m to the corporation.

Mr. Coward told the meeting that a few years before its collapse the corporation had obtained its working capital through the National Bank of Kenya and at the collapse the total liability to the bank was some K£4m.

The East African Airways Corporation shut down operations in February. Soon afterwards Kenya launched its own Kenya Airways and Tanzania and Uganda started small airlines of their own.

Money and Exchanges

Bank of England Minimum Lending rate 7 per cent. (since November 25, 1977)

The money market was very nervous in London last week, amid widespread speculation that a rise in Bank of England Minimum Lending Rate was possible, but not probable on Friday. The market had for some time taken the view that an upward movement in interest rates was inevitable at some time, although many observers felt that this would not be necessary until the new year, and that political considerations, including the desire to see a further fall in the building societies mortgage rate would prevent a rise in the immediate future.

Comments in the Press and the suggestion by W. Greenwell that interest rates had fallen too far were enough to make discount houses reluctant to borrow money during the week, and on most days they were happier to stand back and hope to sell bills to the authorities in the afternoon.

Buying rates for three-month Treasury bills rose to around 4⅝ per cent. on Tuesday, suggesting a possible rise in MLR, but this was more a reflection of the general upward movement in rates in very nervous conditions, rather than a definite indication of the likely level of MLR at the end of the week.

A forecast by the London Business School that short-term rates would rise to 7-8 per cent., was followed by a message to the market from the Bank of England on Thursday. A moderate amount was lent for seven days to nine or ten houses, as a signal that in the light of market expectations, the authorities did not wish to stand in the way on an upward correction. Treasury bill buying rates immediately shot up to 6⅝ per cent., pointing to a MLR in line with the lowest estimate of the London Business School, but on Thursday evening the money market was in a state of some confusion.

Discount houses took a fairly defensive view of possible events from the early part of the week, widening dealing spreads sharply on occasions, and making many quotations strictly nominal. There was still little expectation of any major rise in MLR however, until the intervention on Thursday. After that it came as no surprise when MLR rose 2 per cent. to 7 per cent. at Friday's bill tender.

The rise in domestic interest rates was followed by a corresponding increase in Euro-sterling rates, and a sharp reversal of rates for the forward pound. Three-month forward sterling finished at par, compared with a premium of 0.83 cent against the dollar on the previous Friday. There was heavy selling of forward sterling on Thursday, but no sign of any intervention by the authorities in the forward or spot market.

Sterling fell by only 65 points in terms of the dollar to $1.8180-$1.8190, but this tends to disguise the much sharper decline against several other currencies, since the U.S. unit was also very weak. The pound's trade-weighted index fell to 63.2 from 63.8, and the dollar's trade-weighted depreciation widened to 2.77 per cent. from 2.29 per cent. at the end of the previous week.

The Japanese authorities gave massive support to the dollar after the yen broke through the Y240 to the dollar level for the first time. The yen touched Y238.40 when Tokyo was closed for a holiday on Wednesday, and finished the week at Y239.90, compared with Y244.10 previously. Several European central banks supported the dollar, including the Bundesbank, although some others sold dollars and D-marks to keep their currencies within the permitted limits of the European currency snake. The German D-mark and Swiss franc both touched record levels against the dollar.

Nov. 25 1977	Sterling Certificate of deposit	Interbank	Local Authority deposits*	Local Auth negotiable bonds	Finance House Deposit	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7½-6	—	—	—	4	1½-4½	—	—	—
2 days notice	—	—	5-5½	—	—	—	—	—	—	—
7 days or 7 days notice	—	4¼-5½	5-5¾	—	6¼-6⅜	5	4-6⅛	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6½	6	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	7-6½	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]

Local authorities and finance houses seven days' notice, others seven days' fixed. [illegible]

FOREIGN EXCHANGES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER MARKETS

[illegible]	[illegible]	[illegible]	[illegible]

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES*

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

GOLD MARKET

	Nov. 25	Nov. 24
[illegible]	[illegible]	[illegible]

FORWARD RATES

	One month	Three months
[illegible]	[illegible]	[illegible]

CURRENCY RATES

	Special Drawing Rights	European Unit of Account
[illegible]	[illegible]	[illegible]

MINING NOTEBOOK

New tax deal is needed for mining investors

BY LODESTAR

ONE OF THE fascinations of mining share markets is that one or more of its sections is nearly always offering money-making opportunities however dark the general economic gloom. Hence its appeal to private investors both large and small.

But those who are prepared to risk their money in the world's second largest industry now face such ever increasing hazards that it is becoming a debatable question as to how long their financial support can be expected to continue.

The private investor's diminishing role is being particularly lamented in Australia. And industry spokesmen there lay much of the blame at the door of government. The relatively poor returns offered to mining shareholders and the reasons therefor, have been commented on by both Western Mining's Mr. Arvi Parbo and MIM Holdings' Sir James Foots.

After giving some comparative figures for yields on shares in other industries and on Government bonds, Mr Parbo said that it might be alleged that these figures referred to a depressed period and that in good times mining company shareholders did better.

But "this used to be the case before Government thought of levies, taxes on so-called super profits and so-called resource rent taxes. Good returns in good years used to make up for bad returns or no returns in bad years."

These days, however, "the thinking seems to be that good profits must be reduced by one means or another to mediocre levels while the companies and shareholders are left to fend for themselves in difficult times."

Royalty burden

Mr Parbo could think of "nothing more certain to reduce the flow of risk capital to the industry than this. Without risk capital there will be no industry, at least not in our type of economy."

Significantly, the Western Mining chairman was saying all this in a new generation of potential miners—the students of the Western Australian School of Mines in Kalgoorlie.

The same theme was taken up by MIM chairman Sir James Foots at that company's annual meeting when he posed the question "why are the small private shareholders withdrawing from equity investment?" after noting the decline in the number of MIM company members with small parcels of shares.

Sir James also stressed the part played by high tax levels in making the return to MIM shareholders a relatively poor one. In five years the company's annual royalty bill had increased by nearly 700 per cent. while since 1973 it had borne no relation to profits.

It was now formulated in a way that penalised the company because increasing production costs were ignored in its determination. Approaches to the Queensland Government on the matter had been fruitless, Sir James said.

Simply stated, the tax burden was reducing mining companies' net earnings and, hence, the return to shareholders, to an unacceptable level.

Every proposed new tax—presumably a reference to the threatened, but as yet undefined, natural resources impost in Australia—must not be considered in isolation but "in the context of the total impact it is likely to make on companies whose operations and future development determine very largely the level of prosperity that Australia is able to enjoy."

So, Sir James concluded, if the Government wanted Australian resources to be owned and developed by Australians something must be done to reverse a trend which was discouraging the individual shareholder by making it possible for him to obtain a better return on his investment elsewhere. It was "a matter requiring urgent attention."

The loud "hear, hear" will not come only from the Australian mining industry in these inflationary days when the financing of vital new mineral developments is becoming an ever increasing problem.

As December 10, the date of the Australian general election, approaches, the down-under mining market sags miserably and now looks to be discounting fairly adequately the chance of Labor returning to power.

In other words, the downside risk is diminishing except possibly in uranium issues which could fall further yet if there is a Labor victory.

The upside potential, on the other hand, is growing greater once the election uncertainties are out of the way. So the bold buyer of leading issues could reap his reward in due course whichever way the political cat jumps.

The theory put forward here last Monday by students of the gold market scene that, in spite of the $10 setback, its bull phase can be assumed to be persisting so long as the price rebounds from the $157 area has so far been borne out by subsequent movements. Friday night's New York quotation was $159.40.

Better December quarter results from the South African gold-mines should be coming along in January but they will be reflected in advance in next month's batch of half-year dividend declarations. A study of the possibilities shows that most of the leading concerns should be paying more than either a year ago or last June.

Anyone's guess

Examples are West Driefontein from which 160 cents is expected compared with June's 145 cents and last December's 135 cents and Buffelsfontein for which estimates range up to as high as 85 cents against only 40 cents a year ago.

Other increases expected are 150 cents from Randfontein, as in June but against 100 cents last December; 65 or even 70 cents from Vaal Reefs which paid 55 cents in June and 60 cents in December; 30 to 5 cents from Western Deep compared with 25 cents in June and 45 cents in December; and 20 cents from Doornfontein which would be four times that of a year ago and double the June payment.

Libanon paid only 5 cents at this time in 1976, but the general estimate is that next month's interim could repeat last June's final of 40 cents. Venterspost's possibilities are anyone's guess, but at least a dividend is expected whereas a year ago nothing was forthcoming.

There is no great optimism for Kloof which may do no better than repeat the 15 cents paid on each of the last two occasions. Hartebeest could do better, however, with a possible 80 cents which would be 15 cents more than a year ago and 10 cents more than in June.

INSURANCE

Uncertainty about duties of highway authorities

BY OUR INSURANCE CORRESPONDENT

MANY OF the compensation claims which come before the courts are of interest to liability insurers generally, since they explore matters of legal principle. One such claim is Haydon v. Kent County Council.

In February 1973 Mrs. Haydon slipped on a public footpath coated with ice and snow at Kempsing, Kent. She broke her ankle.

The path had a gradient of one in six, was narrow, bounded by garden fences and hedges, surfaced with tarmacadam with drainage underneath. It was used daily by local citizens and by about 500 schoolchildren. After two days of hard frost following a snowfall—two days of normal use—the path had become slippery and dangerous.

Mrs. Haydon claimed compensation from the Kent County Council, saying that it failed to carry out its duty under section 44 of the Highway Act, 1959. This requires the highway authority to "maintain the highway" and, by virtue of provisions in a subsequent Act, gives anyone injured through breach of duty the right to claim compensation.

The council rejected the claim. But when the action came before Mr. Justice O'Connor in April last year he gave Mrs. Haydon damages.

Vindicated

The council appealed and last July three judges in the Court of Appeal heard further legal argument on the scope of Section 44. Their judgments were delivered recently. The refusal of compensation by the council was vindicated by all three judges.

But, as often happens, they reached their decisions by differing lines of thought.

Lord Denning came to the conclusion that the duty imposed by the word "maintain" in Section 44 did not include the duty of clearing ice and snow from the highway.

The duty of snow clearance is imposed expressly by Section 129, but no one complaining of breach of that section's duty can seek damages for injury. The only remedy is prosecution and fine.

Lord Justice Goff decided that the authority's section 44 duty did include clearing snow and ice or providing temporary protection by gritting, so that in each case it must be a question of fact, having regard to all the circumstances, whether the authority was at fault in its failure to clear or grit.

In the present case there was no liability because the accident happened only two days after the onset of icy conditions and the council had given evidence that it took at least three days to deal adequately with all the highways in the county. Seemingly, on this judge's reasoning, had Mrs. Haydon fallen on or after the fourth day she might have had a better chance of success.

Lord Justice Shaw thought the word "maintain" meant to keep something in existence in a state which enabled it to serve the purpose for which it existed—in the case of a highway, to provide a safe means of passage for vehicles or pedestrians.

But he could not see how failure to deal promptly with the outcome of weather by some counter-measure could give rise to liability. This view leaves the question what is meant by promptly, and what period of delay might be the ground of liability.

I am sure highway authorities and their insurers would rather have had a majority, or even unanimous judgment on the lines of Lord Denning's reasoning. The views of Lords Justice Goff and Shaw leave a high degree of uncertainty about what extra steps have to be taken, in what period, to avoid liability.

If highway authorities take no such extra steps, on the grounds of current financial stringency, then they may have to face a series of compensation claims brought partly to define in practical terms the extent of the duty which the judges say exists.

Highway authorities are in a "Catch 22" situation—either they must spend some more money on services without the certainty that they will thereby escape liability in the particular case, or they must lay out more money on insurance premiums to pay for the claims which must be expected.

In the meantime insurers covering highway authorities have still a potential—uncertain—liability for winter injury claims. This is not a happy thought, bearing in mind that Britain is overdue for a long, hard winter.

FT GROCERY PRICES INDEX

Rate of rise increases

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE RATE of increase in the cost of the *Financial Times* grocery basket has accelerated again this month. The higher price of coffee, and the end of the cheap fruit and vegetables which had been in the shops since July, pushed the index up 4.12 points to 262.10, an increase of 1.6 per cent. This compares with increases of less than 0.5 per cent. in September and last month.

In spite of this month's rise the index is still below its June peak of 266.6 and the rate of year-on increase is still edging down.

In January the index was up just more than 20 per cent. on the year. By last month this had fallen to 8.7 per cent. This month the increase has been trimmed to 8.5 per cent.

The FT Grocery Index is not seasonally adjusted and this month's rise owed much to the usual increase in fruit and vegetable prices at this time of year.

Potato prices were creeping up again and tomatoes were up 4p—23p a pound on last month. Lettuces cost more in some shops though onions were a penny or two cheaper a pound in some shops.

The result was that the cost of all the fruit and vegetables bought by the FT shoppers rose 8 per cent. this month. Even so, the bill is well down on last autumn.

The other big increase this month was in the sugar and beverage sector, which includes coffee. Here prices rose more than 4 per cent. largely as a result of the higher prices being charged for coffee.

The 11 FT shoppers monitor the prices of the same products in the same shops each month. For this reason the Index does not reflect the cheaper brands which some supermarkets have introduced.

The four-ounce jar of Nescafe on the FT list went up 10p-28p this month. Most shops sold it at £1.39, but one shopper had to pay £1.49 and another found a special offer at £1.14.

The bills for both dairy products and meat fell. The 30p drop in the dairy bill might, however, be due to the fact that some shoppers may have bought smaller eggs than usual because of the introduction of the new sizes.

In the meat sector, bacon was down 2p-10p a pound, but sausages and other pork products were costing slightly more.

The survey, which covers 11 shops in different parts of the country, was carried out on Tuesday and so does not reflect the extra 2p on bread announced last week. This, with further seasonal rises in fresh foods, is likely to put further pressure on the index next month.

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FINANCIAL TIMES SHOPPING BASKET
NOVEMBER 1977

	November £	October £
Dairy produce	140.30	140.60
Sugar, tea, coffee, soft drinks	93.60	89.65
Bread, flour, cereals	87.73	86.98
Preserves and dry groceries	29.58	29.35
Sauces and pickles	14.96	14.84
Canned goods	51.69	49.73
Frozen foods	41.36	40.90
Meat, bacon, etc. (fresh)	177.60	178.64
Fruit and vegetables	81.03	75.30
Non-foods	56.78	56.49
Total	774.63	762.48

INDEX: 262.10

1971: Feb. 100; Mar. 101.09; April 102.73; May 105.75; June 108.00; July 107.24; Aug. 105.40; Sept. 105.26; Oct. 104.35; Nov. 105.48; Dec. 108.26.

1972: Jan. 109.18; Feb. 109.10; Mar. 109.24; April 108.04; May 109.36; June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. 113.15; Nov. 11: 114.8; Nov 18: 114.49; Nov. 25: 114.72; Dec. 2: 114.72; Dec. 9: 114.75; Dec. 16: 115.77.

1973: Jan. 117.56; Feb. 119.25; Mar. 120.53; April 123.80; May 125.57; June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. 133.83; Nov. 135.83; Dec. 138.26.

1974: Jan. 141.41; Feb. 141.52; Mar. 142.66; April 8: 143.23; April 29: 142.64; May 145.17; June 147.97; July 146.22; Aug. 145.25; Sept. 147.6; Oct. 150.5; Nov. 156.39; Dec. 159.15.

1975: Jan. 162.84; Feb. 167.77; Mar. 173.50; April 178.49; May 183.41; June 193.02; July 188.45; Aug. 189.23; Sept. 186.64; Oct. 189.79; Nov. 194.78; Dec. 201.90.

1976: Jan. 208.33; Feb. 211.81; Mar. 216.60; April 222.43; May 226.78; June 222.82; July 216.71; Aug. 221.34; Sept. 230.34; Oct. 237.28; Nov. 241.53; Dec. 244.82.

1977: Jan. 251.03; Feb. 253.96; March 256.27; April 258.92; May 263.34; June 266.58; July 258.48; Aug. 256.46; Sept. 256.81; Oct. 257.98; Nov. 262.10.

Co-op cuts coffee price

THE CO-OP has reduced the price of a four-ounce packet of instant coffee by up to 25p. A four-ounce packet of Co-op label powder will cost £1 9p at most stores from to-day.

Co-op label instant coffee is Britain's third largest seller—after Nescafe and Maxwell House.

The organisation said yesterday that coffee supplies had improved recently. Prices should fall gradually over the next few months as wholesale prices dropped and stocks of coffee bought at the recent high prices were exhausted.

Students reject anti-Jewish charge by MP

ALLEGATIONS by a Labour back bench MP of a "sustained campaign" of racial hatred against Jewish students at Britain's universities were rejected yesterday by a students' union.

Mr. Eric Moonman, MP for Basildon, claimed in the Commons that Jewish students in some universities faced violence, abuse and intimidation which showed "shades of Nazi Germany." He named several universities, and added "I have spoken to heartbroken young undergraduates at Salford and York, who found it almost impossible to continue with their studies."

York University Students' Union said it was horrified and disgusted by the remarks, which "we reject totally."

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

Sutton 14pcBds. Red. 30/11/77 £7.2301
Tameside 14pcBds. Red. 30/11/77 £7.2301
Tehidy Minerals 0.67p
Thetford 9pcBds. Red. 30/11/77 £4.3521
Throgmorton Tst. Ln. 4½pc
Travis and Arnold 7pcPf. 2.45p
Triplex Foundries Db. 3½pc
Trust Houses Forte Ln. 2.875p
Vantona Group Db. 5pc. Lns. 3¼ and 7pc
Wagon Industrial 3½pcPf. 1.75p
Wandsworth 14pcBds. Red. 30/11/77 £7.2301
West Yorkshire 14pcBds. Red. 30/11/77 £7.2301
Wimborne 14pcBds. Red. 30/11/77 £7.2301
Wirral 14pcBds. Red. 30/11/77 £7.2301

Edinburgh Dundee Db. 2¼pc
Edinburgh Invest. Tst. Dbs. 2¼ and 2¼pc (60-80)
Electricity Supply Board 9½pc Premium 1981 4.75p
Ellis Goldstein 6pcPtg.Pf. 2.1p
Empire Plantations Inv. 5pcPf. 3.5p
English Intnl. Tst. 1.05p
English Assn. American Bond Share Hldrs. 14p
English China Clays Ln. 3½ 3¼pc
Ericsson (L. M.) 9¼pcBds. 4½pc
Estate Duties Inv. Tst. 3p
European Coal Steel Com. 6½pcBds. 3¼pc
Fleming (Robert) Inv. Tst. Db. 2pc
Ford Motor Com. 80cts
Foreign Colonial Inv. Tst. Dbs. 2½pc (62-67) 2½ (Perp.) 3¼pc
Gallaher Ln. 3pc

Sandwell 14pcBds. Red. 30/11/77 £7.2301
Scottish Cities Invest. Tst. Ln. 3½pc
Scottish Television Non-Vtg. Ord. 1.089p
Sheffield 14pcBds. Red. 30/11/77 £7.2301
Singapore Para Rubber Estates 0.7p
Smith St. Aubyn (Hldgs.) 2.04289p (includes supplementary distbn. of 0.04289p o/a yr. ended 5/4/77)
South Tyneside 14pcBds. Red. 30/11/77 £7.2301
Southampton Isle of Wight and South of England Royal Mail Steam Pkt. 5pcPf. 1.75p
Stoddard Hldgs. 5pcPf. 1.75p
Strathclyde 14pcBds. Red. 30/11/77 £7.2301
Suffolk 14pcBds. Red. 30/11/77 £7.2301
Sun Life Assurance Society 1.58p

'Control drink ad. spending'

SPENDING ON TV drink advertisements must be controlled, a Church of Scotland minister said yesterday.

The Rev. Harry Gibson, convenor of the Church's working party on alcohol, wants controls on drink advertisements in cinemas, magazines, and on boardings.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
To-day	Printing and Graphics Equip. Exbn. (cl. Dec. 1)	U.S. Trade Center, W.1
To-day	Export 77: Services to Exporters & Conf. (cl. Dec. 2)	West Centre Hotel, S.W.
Nov. 29—Dec. 1	BFF Fashion Fabrics for '78	Celanese House, W.1
Nov. 29—Dec. 2	Engineering Design Show	Olympia
Dec. 5—9	Royal Smithfield Show & Agric. Machinery Ex.	Earls Court
Dec. 30—Jan. 8	Camping, Outdoor Holiday & Motor Caravan Show	Olympia
Jan. 4—15	International Boat Show	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Nov. 29—Dec. 3	Int. Laboratory Exhibition	Paris
Nov. 29—Dec. 3	Building Materials Exhibition	Tokyo
Dec. 1—7	Agricultural Equipment & Irrigation Exbn.	Dakar
Dec. 5—10	International Chemical Industries Exbn.	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Nov. 29—30	Shirley Inst.: Future of Natural Fibres	Manchester
Nov. 29—Dec. 1	Building Advisory Service: Handling Industrial Relations To-day	Prince of Wales Hotel, W.
Nov. 30	Staniland Hall Associates: Economic Forecasts for Company Planning 1977-1982	Carlton Tower, S.W.1
Nov. 30	Institute of International Licensing Practitioners: Technological Co-operation, Joint Venture & Licensing Operations	Imperial College, S.W.7
Dec. 2	Scottish Business School: Changing Responsibilities of Directors	Glasgow
Dec. 2	Advisory Service for the Building Industry: Transporting Materials & Components to Mid. East	Cavendish Centre, W.1
Dec. 4—9	Bradford University: Forecasting for Technological Planning	Bradford
Dec. 5	Association of Certified Accountants: Management Guide to Taxation	Clifton-Ford Hotel, W.1
Dec. 5—6	Management Training Consultants: The Skills of Interviewing	Leicester
Dec. 5—9	Kepner-Tregoe: Decision Making for Senior Management	Leamington Spa
Dec. 5—9	Abraxas: Synectics—Innovative Skills	68, Churchway, N.W.1
Dec. 7	Marchmont: Personal Tax Saving for Directors	Royal Garden Hotel, W.8
Dec. 7—9	AMR International: Management Skills for Women	Royal Garden Hotel, W.8
Dec. 8	British Ass. for Com. & Indust. Education: The Employ. & Training Act 1973—Is It Working?	Regent Centre Hotel, W.1
Dec. 8	European League for Economic Co-Operation: The Consumers Voice in Europe	Café Royal, W.1
Dec. 8	Interface: Financial Management & Accounting for Inflation	Russell Hotel, W.C.1
Dec. 8	Institute of Cost and Management Accountants: Accounting—Dealing with Inflation	63, Portland Place, W.1
Dec. 8	Staniland Hall Associates: Consumer Spending in 1978 and 1979	Hilton Hotel, W.1
Dec. 9	Education for Business & Industry: Transactional Analysis	Café Royal, W.1
Dec. 9	London Chamber of Commerce and Industry: U.K. Economic Prospects in 1978	69, Cannon St., E.C.4
Dec. 12—16	Brunel University: Coming to Terms with White Collar Unions	Uxbridge
Dec. 12—16	P-E Consulting Group: Personnel Management	Training Centre, Egham
Dec. 13—14	Oyez: Preventing Claims Against Carriers	Europa Hotel, W.1
Dec. 14	Henley Centre for Forecasting: Exchange Rate Movements to 1982	Carlton Tower Hotel, S.W.1
Dec. 15	European Study Conf.: Rewards for Inventors	Cumberland Hotel, W.1
Dec. 15—16	British Institute of Management: Management Accounting for Non-Financial Managers	Berners Hotel, W.1
Dec. 16	Executant: Quality Cost Analysis	Maidenhead
Dec. 29	Institute of Personnel Management: Industrial Relations Law	London

This week in Parliament

TO-DAY

COMMONS—Debate on Private Member's motion on Parliamentary control of EEC legislation. Motion on EEC documents on fisheries. Motion on the Code of Practice on time off for Trade Union activities. Select Committees: Expenditure. Education, Arts and Home Office sub-committee. Subject: Administration of prison service. Witnesses: NACRO. (Room 16, 4.15 p.m.)

TO-MORROW

COMMONS—Scotland Bill, committee stage. Motion on financial assistance to industry (Thames Board Mills).

LORDS — Atholl Investment (Aberdeen Development) Order Confirmation Bill; Northern Ireland (Emergency Provisions) Bill (second reading); Dioceses Measure; Parochial Registers and Records Measure; Motions to approve Weights and Measures Act 1963 (Bread) Order 1977; Weights and Measures Act 1963 (Various Goods) (Termination of Imperial Quantities) Order 1977, and Draft Code of Practice on time off for Trade Union duties.

Medical Bill (second reading). Debate on EEC report on youth unemployment, and on EEC document on science and technology. Select Committees: Expenditure. Trade and Industry sub-committee. Subject: The Fishing Industry. Witnesses: British Transport Docks Board, General Manager, BR Scottish division. (Room 16, 10 a.m.) Expenditure. Defence and External Affairs sub-committee. Subject: CPRS (Think Tank) Review of Overseas Representation. Witnesses: FCO Staff Sides. (Room 16, 4 p.m.)

WEDNESDAY

COMMONS—Scotland Bill, Committee stage. Motion on EEC Document on Architects' Qualifications.

LORDS—Debates on fire precautions in small hotels and old people's homes; balance of payments; proposed framework and co-operation agreement between EEC and China. Select Committees: Expenditure. Environment sub-committee. Subject: National Land Fund. Witnesses: ...

...terested MPs (Room 5, 4 p.m.) Nationalised Industries, sub-committee "C." Subject: Regional Water Authorities. Witnesses: National Water Council (Room 8, 4 p.m.)

THURSDAY

COMMONS—... Assembly Elections Bill, committee stage.

LORDS— Atholl Investment (Aberdeen Development) Order Confirmation Bill. Motion to approve Coypus (Keeping) Order 1977, Mink (Keeping) Order 1977, and Employment Protection (Variation of Limits) Order 1977. Gun Barrel Proof Bill second reading. Debate on television and radio. Select Committees: Trade and Industry sub-committee. Subject: The Fishing Industry (Shetlands). ... Witnesses: Mr. Eric Varley, Industry Secretary and Mr. Gerald Kaufman, Minister of State. ...

FINANCIAL TIMES REPORT

Monday November 28 1977

Trading with Yugoslavia

Yugoslavia has had to come to terms with imported inflation on its trade account with Western Europe—but in spite of this, its payments position continues to improve through strong invisible earnings, and it is almost in balance in its trade with the United States.

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...me Barling

...THER COUNTRIES ...pend heavily on major ...nations as trading ... Yugoslavia has as a result of world ...difficulties and the trend towards more ... trade policies.

...start of the year ...was already bur... ...th a backlog of prob... ...om 1976, including ...economic activity, high ...terial stocks and a ...in investments, and it though it will end this ...a visible trade deficit ...$3.5bn.

...heless, this year can ...rded as *considerably* ...cessful than 1976 for a ... of reasons, and the ...*ficit has not caused* ...nxiety thanks to the ...of foreign currency. The deficit is seen as ...orary problem, not ...of Yugoslavia's own and manageable with... ...velopment plan.

... efforts to boost the economy with the aid of Western technology, Yugoslavia has been confronted with sharply rising prices for imported goods and greater reluctance by its Western trading partners to buy basic goods in return.

This is reflected in the latest figures for October and the first *10 months of 1977, which show* that in comparison to the same periods in 1976, exports in October went up in value by 5 per cent., and 6 per cent. in the 10 months, while the value of imports went up by 19 per cent. and 34 per cent. respectively. Actual export prices rose by 12 per cent. and import prices by 15 per cent. and the overall deficit in the 10 months increased from $1.9bn. last year to $3.7bn. this year.

However, as a whole, the country's balance of payments position has been improving in recent years, due largely to the increase in invisible earnings. The result was an overall surplus at the end of last year of 2.7bn. dinars, allowing a greater degree *of flexibility in trade* policy.

There has also been considerable improvement in the productivity of the country, with industrial production now running *about 11 per cent. higher* than last year. Similarly there are signs that inflation is being held *down to manageable* levels. In the present five year plan manufacturing prices, *retail* prices and the cost of living have increased only half as quickly as in the 1971 to 1975 period according to official sources.

A draft resolution on the implementation of the medium-term plan in 1978, recently submitted for discussion in the Federal Parliament, also envisages a slowing down of imports and inflation, an increase in exports and a reduction of the *balance of payments deficit*.

BASIC STATISTICS	
Area	98,766 square miles
Population (1976 est.)	21.56m.
GNP (1977 est.)	$35bn.
Per capita (1977 est.)	$1,500
Currency: New Y. Dinar	£=YD33
TRADE (1976)	
Exports	$4.9bn.
Imports	$7.4bn.
Exports to U.K.	£33.5m.
Imports from U.K.	£128.3m.

It foresees an increase in the social product (the Yugoslav national product) of 6 to 7 per cent., and a further rise in industrial production, but a slower growth of the GNP than this year. Employment should increase by around 3.5 per cent. *and productivity by at least as* much as that.

Investment in fixed assets should increase by around 8 per cent. and non-economic investment by 3 per cent. and the cost of living should rise at a *slower rate than the 15 per cent.* rise this year.

The volume of exports is expected to rise by at least 6 per cent., while the volume of imports should remain unchanged. The deficit in the balance of payments should be reduced and estimates are that in 1978 the deficit should be around $1.5bn.

It has nevertheless been clear for some time that to increase exports and improve trade in general, Yugoslavia needed to ease the way for both foreign companies and its own unique system of autonomous organisations to co-operate more fully.

Recently introduced legislation goes some way to achieve this, allowing domestic enterprises to finance commercial operations abroad and enter into co-operative projects abroad "to stimulate the development and the application in production of modern scientific applications and production methods."

New foreign exchange regulations also allow credit relations between domestic companies or banks with foreign concerns for *a variety of reasons. These in*clude import and exports of goods or services on credit for more than 90 days, and the acceptance of foreign loans for the import of goods.

They also allow the acceptance of foreign short-term credits from authorised banks and the acquisition of funds through the issuing of promissory notes on foreign financial markets, and a range of other financial services.

Linking in with these measures, foreign banks are now being encouraged to set up operations in Yugoslavia and applications have so far been received from major French and Italian banks, while interest has been shown by other European and American banks.

Apart from the obvious need *for these banks to be present* to assist in deals between companies investing in Yugoslavia, there is considerable interest in joint ventures in third countries, particularly the developing nations.

The most obvious participants in deals of this kind are companies in Europe, already Yugoslavia's major trading area, and one with which a more balanced trade pattern is sought. However, despite some accord in recent discussions within a joint Yugoslav-EEC commission, major problems remain.

Herr Wilhelm Haferkamp, vice-president of the EEC Commission who headed the Community delegation, agreed with the Yugoslav contention that greater certainty and continuity in trade was necessary in future, but pointed out that severe problems remained, mainly in agriculture.

He said that even if the Community were to liberalise Yugoslav agricultural exports it would not substantially change the trade deficit which in 1976 amounted to $2.5bn. and $1.7bn. in the first nine months of this year.

Recent discussions have also taken place with representatives of the European Free Trade Association countries and were regarded as extremely successful, but it remains a problem for Yugoslavia that its *imports from EFTA member* nations exceed exports by 34 per cent.

But as with other meetings which end with expressions of mutual satisfaction, little can *be achieved without the involve*ment of businessmen to identify fruitful areas of co-operation and progress towards signing contracts.

Yugoslavia has gone a long way *in a short time, compared* with its Comecon counterparts, in creating the incentive necessary for foreign companies to become involved, and despite the obvious problems created by a complicated investment system, the rewards are there.

Experience has shown that *time is needed by potential in*vestors to acquaint themselves with the Yugoslav economic system, and that more could obviously be done to ease their entry.

From Yugoslavia's point of view, an almost ideal trade relationship exists with the U.S.; trade between the two countries has been in balance for some years, with the U.S. able to supply the high technology equipment needed and Yugoslavia being able to supply mainly industrial products.

In the past three years trade between the two countries has been worth more than $2bn. and has been based to some extent on industrial co-operation and joint investment by companies in both countries. Although the trade pattern moved slightly into America's favour in the first six months of this year, Yugoslavia would perhaps be happy if that sort of problem *was the worst they had to face.*

Legislation to open doors

...R ENDEAVOURS to ...ign trade and improve ...conomic relations, in the 1974 Constitution ...76 Associated Labour ...slav authorities have ...at efforts to prepare ...and regulations cover... industrial and other ...n, *transfer of tech*... ...int ventures, banking ...e.

...ch 1 this year the ...rliament passed three ...es of legislation: the ...*Exchange Operations* ...nal Credit Relations ... External Trade in ...d Services Act, and the Act on Performing Economic Activities Abroad.

Still pending is legislation on joint investments, on long-term production and technological co-operation and transfer of *technology, and on the banking* institution for international economic co-operation. In addi*tion*, scores of Government decrees and by-laws and Central Bank regulations, have been published. With many more to come, the programme has become extremely complex and time-consuming for those concerned.

One of the basic features of all these laws is that they subordinate *foreign trade* and related activities to production, and give the production workers associated in their basic organisations full control over the operations of foreign trade organisations.

These organisations are specialised and although they have a formal, juridical independence vis-a-vis their foreign or local partners, are dependent on production organisations. They exist to carry out specific tasks as agreed between them and the former. Both have to share risks and profits from external transactions.

Mutual agreements determine modalities of risk-sharing, the remuneration of the foreign trade organisation's staff, and the manning of foreign representative offices and so on.

Another very important feature is that all participants in the manufacture of a product are entitled to part of foreign exchange earned by that product being exported. The same applies to services, like tourism, where suppliers *of tourist facilities share in their* foreign exchange earnings.

Thus, it has been hoped, conflicts will be avoided between companies and between republics and provinces as to who owns the earned foreign means of payment which in Yugoslavia are scarce and much sought-after both in order to pay for imports and to get the right to import.

This is important not only as *a stimulant to export but also* to avoid clashes in a multinational state such as Yugo*slavia*. The system will become obsolete once the dinar becomes convertible but that is still some years away.

A third feature of the new legislation is making not only the Federal Government responsible for the balance of payments of the country but also the governments of constituent *republics and autonomous* provinces, and the organisations of associated labour.

Each republic and province will know how much foreign exchange it is supposed to earn —that is, through companies on its territory—in order to be able to spend a given amount for imports and other needs. If not enough is exported or earned otherwise (through tourism, transport, construction *work abroad*, remittances, etc.) there will not be enough to pay for imports of goods and services, debt service and the like.

It has been expected that in this way the balance of payments deficit which has been planned for the current five-year period 1976-1980 will remain *within planned proportions*. Linking imports to exports does not mean that for each unit of imports an equivalent amount of exports has to be made.

What it does mean, however, is that an agreed upon ratio, different for various groups of products and even companies, has to be respected. Imports may also be financed through foreign credits but here again the global amount for Yugo-

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Developing world's growing share

THE REGIONAL pattern of Yugoslav foreign trade in the first nine months of 1977 has not changed very much from the comparable period of last year.

To the Yugoslavs the most important change in the pattern of their foreign trade over the past few years has been the growing share of the developing countries. That trend has continued this year, and the share of that group of countries is now some five percentage points above what it was some four or five years ago.

Less important in their eyes are the fluctuations in the respective shares of socialist and developed countries which have been so closely watched both in the West and East and interpreted as this country leaning more to the one or to the other side, depending on which of them showed gains or losses in the short run.

The proclaimed objective in the field of foreign trade for the current five-year planning period (1976-1980) is to increase the share of trade with the developing countries to about one-fifth of the aggregate, at the expense of the shares of both the socialist and developed countries.

Objective

This objective, it is suggested, has been largely motivated by purely political thinking, Yugoslavia being a non-aligned and developing country, and very active in both these groups. There is certainly some truth in this allegation, as the country has been advocating the intensification of mutual co-operation among the non-aligned and other developing countries and their common struggle for the New International Economic Order (NIEO).

Still, political reasons have not been the only ones in the effort aimed at strengthening economic co-operation with the developing countries. Behind this has been some sound economic reasoning, namely that the future for a country like Yugoslavia, which has only been industrialising since the last war and in many respects lags behind the developed countries, lies with the developing world. For the time being it is seen primarily as a market for its manufactures and as a source of fuels and raw materials for its industries.

This does not mean that Yugoslavia wants those countries to remain forever suppliers of raw materials. This would be inconsistent with its support for the NIEO in which each country should develop its own industry based on its natural resources.

It has therefore been endeavouring to develop industrial and technical co-operation with other developing countries, based on a new international division of labour, and also to advance financial, scientific, and other co-operation, not to mention the co-operation in various non-economic fields.

This policy has been paying. While exports this year to the socialist countries have increased only 1 per cent. by value, and to the developed countries only 3 per cent., which in both cases means a fall in volume, the increase of exports to the developing countries was 32 per cent., the same as the increase of imports from them ($688.76m. and $1bn. respectively). While the bulk of Yugoslav exports are manufactures, the bulk of imports was crude oil. That explains the deficit of some $320m. which would have been much heavier had not Yugoslav exports increased considerably since 1973.

In addition, Yugoslav construction companies have been very active in some of the oil exporting countries, like Iraq, Libya and Kuwait and have been earning foreign exchange there.

The feeling in this country has been that in spite of strong competition in the markets of the developng countres, especially oil exporting, from companies and consortia from Japan, the U.S., Britain and West Germany, there is much scope for an expansion of Yugoslav exports to the developing countries. These will probably be intensified in the forthcoming period and will be helped by the decisions taken at the Colombo summit of the non-aligned countries last year.

There could also be more co-operation in some of those markets with companies from developing countries. West and East, and triangular co-operation with some developing country also participating. Some of the partners will provide finance, some skilled manpower, some design, and some equipment.

Yugoslav companies have been especially handicapped by inadequate credit facilities without which they cannot expect to sell more capital goods. Efforts have been made to improve this situation by creating a strong financial institution which would be able to mobilise both Yugoslav and foreign funds. So far however that institution exists only on the drawing board.

Looking first at the prospects for such deals with Socialist non-Comecon countries, trade with China, is still small although both sides have an interest in expanding it which they will undoubtedly achieve gradually. Trade with Albania is growing steadily, in spite of poor political relations, but does not amount to much. In the future there will be more trade with North Korea, after president Tito's visit last September.

Characteristic of Yugoslav Comecon trade has been its steady growth with no big leaps but good prospects for expansion. In the Yugoslav aggregate it has recently taken roughly one-third and is more or less balanced by country. This is true regardless of whether payments are in hard currencies, something Yugoslavia has been supporting (there are such arrangements with Poland, Hungary, and Romania, but not with the Soviet Union and some other members), or through clearing.

Yugoslavia often has surpluses and this has been a limiting factor as there have been difficulties in finding goods to buy. There has been no progress in using transferable roubles earned in one Comecon country to pay for goods and services in another, as those countries themselves do not know what to do with them. A recent case was when Yugoslavia wanted to pay in transferable roubles for the construction of a pipeline to transport Soviet gas to its border.

One—positive, as judged here—aspect of Yugoslav co-operation with the Comecon countries is its stability and long range certainty. In some cases the programming is too rigid, and the Yugoslav side would like to introduce more flexibility, allowing divergence from the letter of arrangements, but basically there have been no major objections to it.

DIRECTION OF TRADE

Countries	Both ways 1976	Both ways 1977	Exports 1976	Exports 1977	Imports 1976	Imports 1977
Socialist	35.4	32.8	43.0	40.8	30.2	28.4
Developing	14.5	15.5	14.6	18.1	14.5	14.1
Developed	50.1	51.7	42.3	40.9	55.2	57.4

Co-operation

Work will be continued on preparing long term programmes of economic co-operation with Comecon, in which Yugoslavia has a special status, whereby it can participate in discussions of interest to it and join in programmes of its choice. It is a member of 21 out of 24 Comecon commissions.

The most rapidly growing sector is co-operation between Yugoslav companies and those in Comecon countries. There have been dozens of co-operation agreements, some of them quite substantial. A good example is the co-operation of the Yugoslav car manufacturer Crvena Zastava and the Soviet and Polish factories producing under Fiat licences there have only been a few joint ventures so far.

Yugoslav construction companies have been very active in several Comecon countries, especially in Czechoslovakia and the USSR. In the former they have built several factories, in addition to housing projects, while in the latter they specialise in the construction of hotels. At the moment they are working on various projects in the Crimea and in Moscow for the forthcoming Olympic Games of 1980.

It has often been stated that Comecon markets are easier than those of developed countries. With more competition from the developed countries in those markets and with the quantitative and qualitative growth of Comecon countries' own industries, this is less and less true, Yugoslav companies have to bear that in mind, especially since they do not have double quality standards: one for exports and another for the domestic market.

There has also been the pricing problem. Some products may fetch higher prices in a Comecon country but that is often only because it expects to get higher prices for some of its export products. In mutual relations between these countries this is normal, but it causes serious problems for outside trade since exporters and importers operate independently from each other.

In spite of numerous problems stemming from the co-operation between Yugoslavia and the Comecon countries, this co-operation will continuously and substantially expand, as foreseen by agreements signed last year and this year.

To take one example, in the current five year period, 1976-1980, trade between Yugoslavia and the USSR will more than double over the preceding five years and reach the value of $14bn. both ways. However, even with all that growth it is unlikely that the share of Comecon in the Yugoslav foreign trade will much exceed the "historic" one-third of the aggregate. That is, unless something happens to Yugoslav trade with the West and it has to be drastically reduced, which would be contrary to Yugoslav wishes.

Aleksandar Lebl
Belgrade Correspondent

ORGANISATIONS WHICH OFFER INFORMATION AND ADVICE ON TRADE WITH YUGOSLAVIA

Yugoslav Economic Chamber
143/147 Regent Street
London W1 Tel.: 734 2581

Anglo-Yugoslav Trade Council
21 Tothill Street
London SW1 Tel.: 930 6711

Yugoslav Section
London Chamber of Commerce
69 Cannon Street
London EC4 Tel.: 248 4444

Legislation

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slavia and the share of each republic will be a matter of agreement.

In accordance with the new legislation, the so-called self-management communities of interest for external economic relations have been established in all republics and provinces. Their members are organisations of associated labour, banks and so on, but not governments. They will start operating as from January 1 next year and have been given wide powers to regulate foreign economic relations.

They will get part of customs duties and distribute them to exporters in the form of tax refunds and support. At a Federal level their activity will be co-ordinated by a community of interest of which they are members. Thus the state looses part of its prerogatives in the sphere of external economic relations but will still have a regulatory role in many fields like fixing foreign exchange, balance of payments, and national currency policies.

The law also provides for the protection of local production where this is rational. It proclaims that the rate of exchange of the national currency should be realistic, reflecting both international monetary trends and internal economic developments.

At the moment there is much discussion as to what this means. To some it means that the dinar is overvalued and that it should be devalued, and the sooner the better, while others think that there is no need for such a measure as problems arising from the discrepancy between the local and foreign rates of inflation may be solved in other ways. There are also some changes in the organisation of foreign trade.

All companies taking part in it will have to be members of sections within the Chamber of Economy of Yugoslavia for individual foreign countries, and co-ordinate their activities in a given market. In each foreign country, joint representative offices will be established comprising all Yugoslav representatives in that country. Thus, it is hoped, a better co-operation and elimination of unfair mutual competition will be achieved.

Exception

The foreign trade regime, aside from what has been said about linking imports to exports, will remain as it is with the exception of the global foreign exchange quota which has been abolished. Thus four categories of export and import will remain: free, quota, licence and approval. Temporary restrictions may be introduced exceptionally when there is a threat of severe market or balance of payments disruptions.

Among the decrees there is one allowing foreign representative offices of firms and banks. The most important is that companies and banks wishing to do so are supposed to have established co-operation with local companies or banks, and it is still too early to say how foreigners have responded to this.

So far several banks have applied for licences, as well as a number of foreign companies, among which are General Electric of the U.S. and Dow Chemical. One has to bear in mind that the decree may seem to be too cautious but one has to think of it as the first exploratory step on to completely new ground for the Yugoslavs.

Discussion of legislation covering joint investments with foreign partners is still going on. Central points of disagreement are the share in equity the foreign partner should be allowed (up to 49 per cent as at present, or without limit; advocates of the latter point out that it would not imply foreign ownership of the means of production).

So far few foreign companies have reached the 49 per cent limit, satisfying themselves with only a small fraction. Similarly, while some would give wider powers in operative and technical matters to joint management boards, others think that that would be contrary to self-management in Yugoslav enterprises. However, this problem cannot last indefinitely and a decision has to be reached soon, possibly early next year.

In view of the new legislation it seems imperative that the Yugoslav side should increase efforts to familiarise potential foreign partners with it as there has been a general feeling that very little is known about the changes. On the other hand foreign organisations would do well to do some research into the Yugoslav system and regulations.

Aleksandar Lebl

TRADING WITH YUGOSLAVIA III

The West remains the leading partner

THE VARIATIONS in the Western industrialised countries remain Yugoslavia's main trading partners. The EEC is its most important market and largest supplier, but that does not mean that Yugoslavs are happy with the economic relations with the West and with the EEC in particular. On the contrary, they believe there are good reasons for complaint.

Looking first at the statistics: in the first nine months of 1977 Yugoslav exports totalled $3.8bn. while imports reached $7.1bn. The value of exports over the period of last year increased by six per cent. but the ... fell as export prices rose ... cent. On the other hand the value of imports went up ... cent. of which 15 per cent was accounted for by price increases.

The trade deficit in nine months amounted to $3.3bn. or ... double the last year's ... to September deficit of ... The main reason for the deficit is the trade with developed countries which showed a gap of $2.6bn. Imports of ... were covered by exports to those countries to the extent of only 37.8 per cent. ($1.5bn.). Last year the situation in this respect was better than was expected ... months the deficit was ... and exports covered 51.8 per cent of imports.

It should be noted that such unfavourable ratios are not encountered in trade with all developed countries but this also means there are countries with which the ratios are much ... than the average. Yugoslav trade with the U.S., which last year was almost balanced, has this year seen the exports to imports ratio way above the average for that group of countries.

Unfortunately there are few partners for Yugoslavia in the industrialised world. The trade with Japan is poor, and the same applies to Australia. However, in view of the volume of mutual trade, it is the EEC which is the real problem. But in the generally unfavourable picture there are darker and less dark spots.

Invisible earnings, although a very important source of foreign exchange, cannot offset the trade deficit, and that is reflected in the balance of payments which this year will show a deficit of about $1.5bn. In 1976 there was a small surplus of some $150m.

In the first nine months of 1977 exports to the developed countries increased only 3 per cent. by value which means that the volume was probably some 9 or 10 per cent. less than a year ago. On the other hand, imports from these countries reached a value 41 per cent higher which meant that the volume increased by some 26 per cent.

Failings

It has become clear that Yugoslavia's export efforts are not adequate, but high domestic demand has been absorbing many products which otherwise would have found their way to foreign markets. Moreover, production costs in Yugoslavia have been higher than in most developed countries, design and quality have not always been satisfactory and some deliveries have been late. But it is felt that the developed countries, and the EEC in particular, have contributed to these failings through protectionist and other measures.

Then there are administrative measures, like requiring certificates of origin when it is clear that the goods are Yugoslav, testing Yugoslav goods to find out whether they fit technical and other standards and norms even in cases when Yugoslav standards are more strict. Exporters face the jungle of 800 or so non-tariff barriers to trade which have been applied by the EEC, EFTA, U.S., Japan and the rest of industrialised countries, not to speak of tacit understandings between governments and industries to buy only locally produced goods.

Yugoslavia has been trying to solve those and other problems with both the national governments of the countries concerned, and the multi-national economic groups. Highest priority is being given to the EEC.

A year ago a joint Yugoslav-EEC declaration was signed in Belgrade between the then premier Bijedic and the then president of the EEC Council of Ministers M. Van der Stoel. The declaration laid the groundwork for closer co-operation, expressed the political will and interest of both sides for such co-operation, the EEC support for Yugoslav independence and the like. But since then difficulties in mutual economic relations have increased as the EEC became more inward-looking.

Now the Brussels Commission of European Communities is about to prepare its mandate for negotiations with Yugoslavia which will start next year in order to work out a new agreement between the Community and this country, as the present non-discriminatory trade agreement expires next September. The Yugoslavs are insisting on a broader agreement, covering not only trade but other fields such as industrial, technical, financial co-operation, migrant workers and other matters.

They also insist on longer-term programming so that they may plan their production accordingly, and especially on the elimination of unilateral action on the part of the EEC. They are seeking joint discussions aimed at solving problems which may appear during the life of the agreement.

The EEC Commission's vice-president, Herr Wilhelm Haferkamp, has visited Belgrade twice in the last couple of months and on both occasions expressed his optimism on the outcome of the negotiations. The Yugoslavs, however, have not been convinced that there has been enough understanding of their problems and willingness to act accordingly.

Recently Yugoslavia has shown greater interest in EFTA and vice versa. Talks about improving co-operation, perhaps including the signature of a joint document, have been initiated and will be pursued, although it is too early to say what will be the result of them.

Agreements

One thing is sure—Yugoslavia has no interest and no intention of weakening its ties with the West but it depends mostly on its partners how strong those ties are going to be. The reasons for the Yugoslav attitude are clear enough: it wants to have good economic relations with both West and East and is not ready to sacrifice either in order to earn the favours of the other. It also needs Western technology, but no matter how much it is interested in co-operating with Western countries, Yugoslavia will not sacrifice any of its principles for the sake of economic gains.

In addition, the West is not a homogeneous entity. Thus Yugoslav orders will increasingly go to those developed countries which are willing to maintain relationships with it on a relatively equal footing, particularly where countries are willing to buy Yugoslav goods and services, and enter into industrial co-operation and joint venture agreements.

Yugoslavs believe that although their market is small, it is not negligible and imports should soon reach $10bn. a year. The importance of such markets was amply demonstrated in 1974-1975 when the recession in the West was mitigated through increased exports to countries like Yugoslavia without adequate imports from them.

Yugoslavia, at that time, was late in adopting measures to protect itself from the flood of imports under what seemed favourable terms but has learned the lesson not to become tempted again into accepting offers to buy too much on easy credit terms.

Now there is a similar situation and Yugoslav companies have been offered equipment on credit. A few contracts have been signed but the authorities may step in unless the sellers agree to buy Yugoslav goods for at least a proportion of the credit amount.

Both the authorities and the business community here think that under present circumstances there will be less and less trade if ways and means are not found to regulate it and plan it with the partners. They are not happy about the way this has been done with their partners in the East, but the lack of longer term agreements with the West is equally unsatisfactory. For that reason new forms of agreement are being sought.

A.L.

Invisible earnings

WITH A PERMANENT deficit in its balance of trade Yugoslavia has to rely on two sources of finance. One of them is borrowing abroad, and the other is its invisible earnings. The latter grew rapidly in the last decade or so, but there have been signs of deceleration in the last couple of years.

While in 1966 net invisible earnings amounted to only $173.7m. (gross earnings were $240.8m.), by 1976 they had increased to $2.24bn. (gross $2.88bn.) which almost offset the deficit of the merchandise exchange. Gross inflow of foreign exchange during that period increased about 12 times while outflow increased about 10 times. Yet, with the absolute amount going up, the rate of growth slowed down, and could well be very low this year as the six-month figures seem to indicate.

In the first half this year, gross invisible earnings were $1.28bn., compared to $1.23bn. in the first half last year. On the other hand, outflows increased by $96m. from $294.3m. to $390.3m., so that in fact net earnings were smaller. Thus end-year results would not be basically different from last year, with the possibility that invisible earnings could even be slightly lower.

In 1976 the distribution of the gross invisible earnings of $2.89bn. was as follows: remittances of Yugoslavs abroad $1.88bn., tourism $802.3m. and other $199.2m. In the first six months of 1977 remittances increased by $54.8m. (from $859.1m. to $913.9m.), tourism yielded $1.6m. less ($269.1m. compared to $270.7m.) and other earnings brought in only $800,000 more ($93.2m. compared to $92.4m.).

As may be seen, the most important source has been remittances from Yugoslavs abroad, the bulk of whom are workers temporarily employed in other European countries whose share in the total is probably some 80 per cent. While their contribution to the balance of payments has been highly appreciated, their remittances have been considered an unstable element. With unemployment high in all West European countries there have been less opportunities for the so-called guest workers to find jobs, and those who are already there have difficulties in staying.

If new members are admitted into the European Community there will be even less chance for Yugoslavs to be employed. In addition, Yugoslav policy is to bring back as many of them as possible, for social and political reasons (there have been social problems with wives and children, or children alone staying behind in Yugoslavia. If children travel abroad with their parents there have been problems with their education, and national defence suffers, as several divisions of trained men are not at hand if needed.) There has also been the drain of brains and skills. Taking all that into account it is questionable whether benefits outweigh all the disadvantages.

As far as tourism is concerned, after years of rapid growth (in ten years, from 1966 to 1975, earnings went up from $116.7m. to $768.4m.), it has stagnated during 1976 and 1977. Officially recorded earnings last year were $802.3m. (unofficial estimates add another $200m.), and it is unlikely that there will be an increase this year.

Figures for nine months tell their story. The number of foreign tourists increased less than 1 per cent. (5,108,000 compared with 5,081,000 last year) but they spent fewer nights (27,284,000 compared with 27,797,000, or 2 per cent. less) and they left the same amount of foreign currency, which in real terms means less than in the same period of 1976. As the last quarter has a small effect on the annual aggregate, it is already clear that this year will not be better than the last if it is not going to be worse.

Devaluation

Yugoslav tourist authorities see outside reasons for this. The devaluation of the Spanish, Italian and Greek currencies last year—and of the Spanish peseta again this year made those countries, which have been the main competitors of Yugoslavia, far more attractive. The interests in those countries of many tour operators also played a role. That said, it has been admitted that Yugoslav tourism has also had its shortcomings and that these, too, had a negative effect.

Now, however, the period of stagnation seems to be over and hopes have been expressed that next year officially registered earnings will increase by between 5 and 10 per cent. That belief is based upon the fact that prices in the competing countries have gone up considerably between 27 and 40 per cent. in Spain, while Yugoslav prices for 1978 will remain roughly at this year's level. Half of the offer is at unchanged prices, one quarter is below and one quarter slightly above 1977 prices. Comparative analysis of the British market shows that Yugoslavia is cheaper than Italy or Greece, and equal to Spain. But petrol, (foreign tourists enjoy a 20 per cent. rebate) is cheaper than in other countries, and prices of alcoholic drinks and similar goods are to be kept at this year's level.

Not all types of tourism have suffered. While there has been a fall in the number of charter flights, the number of bus cruises has been growing. There have been more visitors to camping sites as well as those preferring privae rooms to hotels. There has also been a rise in the number of visitors to big cities. Especially prosperous have been nudist resorts. But although Yugoslavia has been expanding facilities for tourists who believe in total exposure of their bodies to the sun, air and water, capacity is still inadequate.

In addition to invisible earnings listed here there have been two other significant sources of foreign exchange. One is transport while the other is design and construction work carried out abroad by Yugoslav firms.

Transport and insurance earned $891.2m. gross last year, and $298.8m. net. Two main factors contributed towards this. First, Yugoslavia has a favourable position as a transit country for road and rail traffic between Western and Central Europe and the Middle East on the one hand, and as a maritime country whose ports are used by Central European land-locked countries on the other. (to which it should be added that it has a relatively strong merchant fleet).

Thus it had a surplus on goods transport and a deficit on other transport accounts but in the end it netted close to $300m. With expansion of the merchant navy, construction of new toll roads, development of river navigation in Europe and the like, earnings from this sector could be further increased.

There have been estimates for the net foreign exchange gain from construction work abroad ranging between $100m. and $250m. This, however, has not been the only consideration in this sector. Factors like employing free capacity, workers and specialists, have also played a role, as well as exporting—to an unsatisfactory extent—Yugoslav-made construction machinery, construction materials, and so on. Very important, too, has been acquired experience by workers which could be considered good investment for the future.

The value of construction and design work abroad amounted to $824m. in 1976, almost one quarter more than the year before. The increase was even bigger in the work commissioned but not finished, the value of which at the end of 1976 stood at close to $1bn.

Yugoslav construction enterprises have been active in some 40 countries, developed, developing and Comecon. Among the developed countries the most important has been West Germany. Among the developing countries Libya, Iraq, Nigeria and Zambia have been leading the list, while the USSR and Czechoslovakia have been the two big partners in the East. Yugoslav construction companies have been active in searching for new markets (like Iran) and in organising co-operation or joint ventures with companies from developed countries for the purpose of joint participation in tenders and projects in developing and developed countries.

A.L.

OVERSEAS MARKETS

EUROBONDS

BY FRANCIS GHILES

Investors more confident

DESPITE THE turmoil on the currency markets and the weakness of the dollar, the bond market has continued to recover, looking in much better shape by the end of last week than it had at the beginning. Activity only really picked up on Thursday and Friday after a very thin beginning.

Prices gained between ½ and ¾ a point over the week, with the exception of Japanese convertibles which fell back, some quite heavily.

The stability of Eurodollar rates seemed to be making investors more confident, but dealers' reports on the extent of retail buying were conflicting.

The absence of new paper in any significant quantity — only two new issues were announced over the week-end—coupled with the amount of funds looking for investment has meant that many dealers were buying so as not to be caught short. As the year ends, banks traditionally like to have a light inventory, so there should be no rush to bring borrowers to the market before Christmas.

While the Cavenham issue, which never elicited much enthusiasm, and after being priced at 99½ fell in aftermarket trading, the issue for the City of Gothenburg is said to be selling well. It is expected to be priced this afternoon.

The $25m. floating rate note for UBAF was priced at par and two other floating rate notes were announced during the week-end.

One is for Hydrocarbons Ltd., a Cayman Island registered unit of the Swiss based Hydrocarbons Int., itself a subsidiary of the Italian State owned ENI.

The second is for the French Caisse Nationale du Credit Agricole and is the first foray into this market by what is the third largest bank in the world. This operation is no doubt part of the campaign engaged in in recent months to make the Credit Agricole known outside France as the bank pursues its way on the road to internationalisation.

In the secondary market, which was fairly featureless throughout the week the ICI convertible fell heavily after the much worse than expected fall in ICI's third quarter profits, down from £168m. to £105m. As a result the ICI share price suffered one of its sharpest falls ever.

The second sterling bond, for Total Oil Marine, was priced at par. Its market performance was less strong than that of the ECSC issue a week earlier. But on Thursday both issues were badly hit by the intimated two point rise in the Bank of England Minimum Lending Rate. By Friday evening however, both had recovered, to close off the bottom—ECSC at 99¼-½ and Total Oil Marine at 98¼-¾.

Meanwhile a third sterling issue was announced, for Finance for Industry. It was reported by Friday evening to be comfortably oversubscribed.

The most salient point about the Deutschemark sector of the market was the increase in the volume of new issues: the Norges Kommunalbank bond was increased from an initial DM150m. to DM200m., and Sweden was back in the market for DM200m. On Friday, meanwhile, the Capital Markets sub-committee approved a total of about DM1bn. in Eurobond offerings for next month, a figure which is slightly below the November total.

The private placement for the City of Vienna and the Korea Development Bank issue, a first ever for this borrower, were priced at par while the Genossenschaftliche issue was priced at 100½ and the Oesterreichische Laenderbank was priced at 100½. The re-emergence of more familiar names probably explains the better demand which met the issues announced this week; the Korea Development Bank had not met with a very warm welcome.

A DM30m. five-year private placement for Kubota Limited is expected early next month. It will have a 5¾ per cent. coupon. Head manager is Westdeutsche Landesbank.

In this market, the secondary sector was quiet, with shorter-term issues putting on about a quarter of a point towards the end of the week, possibly on currency considerations.

The amount of Swiss Franc private placements arranged in recent weeks appears to be on the increase. The total figure for private placements for the first six months of 1977 was Sw.Frs.4.2bn., well down on the figure for the equivalent period of last year, which was Sw.Frs.5.9bn.

Last year's total of Sw.Frs.10.5bn. is not expected to be reached but the final figure could be higher than anticipated. While the French continue to be active, Scandinavian countries and Austria would seem to account for the renewed flurry of activity.

The World Bank will offer Y50bn. worth of bonds in the Japanese market: maturity is 15 years and the coupon 6.8 per cent. Lead manager of this issue is Yamaichi Securities.

BONDTRADE INDEX AND YIELD

	Nov.25		Nov. 18		1977 High	1977 Low
Medium term	101.53	7.75	101.43	7.75	103.09 (7/1)	101.27(3/11)
Long term	94.52	8.23	94.49	8.23	96.86(30/9)	94.35(8/11)
Convertible	108.64	5.56	108.23	5.63	111.22(11/8)	105.86(4/11)

EUROBOND TURNOVER

(nominal value in $m.)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	1,149.7	1,399.7	215.5	215.7
Cedel	488.4	870.9	129.9	225.1

CURRENT EUROBOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager
U.S. DOLLARS						
†Cavenham	50	1987	7.24	9¼	99½	Crédit Lyonnais
†‡UBAF	25	1982	Bullet	7½‖	100	Crédit Lyonnais
‡Australian Res. Dev. Bk.	10	1982	Bullet	8¼	100½	First Boston AG/KFTCIC
‡††Australia	125	1984	Bullet	8¼	100	Morgan Stanley
‡††Australia	100	1997	13	8⅞	98⅞	Morgan Stanley
Orient Leasing	20	1984	5.5	8½	discount	Daiwa, Man. Han.
City of Gothenberg	30	1987	7.36	8½	discount	UBS Sk. Ensk. Bken.
†Hydrocarbons Bk. (g'teed ENI)	75	1982	Bullet	7½‖	*	Crédit Lyonnais
†Caisse Nat. du Créd. Ag.	50	1985	Bullet	6½	*	S. G. Warburg
D-MARKS						
‡Oest. Laenderbank	100	1982	Bullet	5½	100½	Dresdner
‡Genos. Zentralbank	100	1987	8	6	100¼	BHF Bank
‡Korea Dev. Bank	100	1984	Bullet	7½	100	Deutsche
‡**City of Vienna	40	1983	n.a.	6	100	Hessische Landesbank
‡Norges Kommunalbank	200	1989	7.5	6	100½	West LB
Sweden	200	1989	5.6	6	discount	Deutsche
Quebec Hydro	150	1987	Bullet	6½	*	Commerzbank
STERLING						
‡Total Oil Marine	25	1984	7	9½	100	Paribas, Morgan Grenfell, Morgan Stanley
Finance for Industry	20	1987	5	9¾	*	S. G. Warburg
AUSTRALIAN DOLLARS						
‡Australian Res. Dev. Bk.	10	1982	Bullet	10	100	First Boston AG/KFTCIC
SWISS FRANCS						
Electricité de France	100	1992	n.a.	4½		UBS
Com. Fed. de Elec.	60	1987	n.a.	5½		Paribas (Suisse)
‡Brazil	100	1987	n.a.	5	99½	SBC
Denmark	80	1992	n.a.	4¾	*	Crédit Suisse
‡Tel. Co. of Funen	25	1992	n.a.	4½	99	Banque Suisse de Crédit et de Depots
Co-op Denmark	25	1992	n.a.	4½	*	Crédit Suisse
Ind. Fund of Finland	20	1992	n.a.	4½	99	Banque Gutzwiller
KUWAITI DINARS						
‡Avasa (g'teed Spain)	5	1983/7	—	8½	100	KIC

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ‖ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund.
Note: Yields are calculated on AIBD basis.

Indices

NEW YORK —DOW JONES

	Nov. 25	Nov. 23	Nov. 22	Nov. 21	Nov. 18	Nov. 17	1977 High	1977 Low	Since compilation High	Since compilation Low
Industrials	844.42	845.30	842.52	836.11	835.76	831.86	999.75 (3/1)	800.85 (2/11)	1051.70 (11/1/73)	41.22 (2/7/32)
H'meB'nds*	92.11	91.96	91.96	91.88	91.88	91.84	95.87 (7/3)	90.69 (7/3)	—	—
Transport	219.76	219.66	217.33	215.57	215.18	215.72	246.64 (18/5)	199.60 (25/10)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	113.06	112.56	112.33	111.74	112.10	111.87	118.67 (22/7)	104.97 (25/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	17,910	23,150	28,800	20,110	25,930	25,110	—	—	—	—

* Basis of index changed from August 24.

	Nov. 18	Nov. 11	Nov. 4	Year ago (approx.)
Ind. div. yield %	5.44	5.33	5.57	4.24

STANDARD AND POORS

	Nov. 25	Nov. 23	Nov. 22	Nov. 21	Nov. 18	Nov. 17	1977 High	1977 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	106.55	106.10	105.66	104.89	104.80	104.62	118.92 (3/1)	99.88 (2/11)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	96.69	96.49	96.09	95.25	95.33	95.18	107.00 (3/1)	90.71 (2/11)	125.85 (11/1/73)	4.40 (1/6/32)

	Nov. 23	Nov. 16	Nov. 9	Year ago (approx.)
Ind. div. yield %	4.75	4.78	4.89	3.77
Ind. P/E Ratio	9.52	9.42	9.18	11.54
Long Govt. Bond yield	8.13	7.78	7.85	5.33

N.Y.S.E. ALL COMMON

Nov. 25	Nov. 23	Nov. 22	Nov. 21	1977 High	1977 Low
55.53	55.19	52.94	52.49	57.07 (4/1)	49.78 (2/11)

Rises and Falls

	Nov. 25	Nov. 23	Nov. 22
Issues traded	1,817	1,887	1,872
Rises	830	1,026	1,036
Falls	547	452	443
Unchanged	440	409	393
New Highs	95	111	95
New Lows	9	14	11

MONTREAL

	Nov. 25	Nov. 24	Nov. 23	Nov. 22	1977 High	1977 Low
Industrial	166.87	165.88	165.37	164.27	189.47 (17/5)	158.02 (25/10)
Combined	174.65	173.41	172.56	171.88	187.85 (19/1)	165.60 (25/10)
TORONTO Composite	1011.0	1003.1	997.0	994.5	1087.4 (19/7)	961.0 (25/10)
JOHANNESBURG Gold	188.3	191.2	191.5	190.1	214.7 (17/10)	159.4 (24/5)
JOHANNESBURG Industrials	197.6	197.5	197.9	197.7	211.2 (14/10)	169.1 (22/4)

	Nov. 25	Previous	1977 High	1977 Low
Australia (a)	426.52	423.53	469.71 (20/6)	418.35 (16/2)
Belgium (b)	93.19	93.30	99.12 (10/1)	92.56 (3/11)
Denmark (d)	95.60	95.91	107.32 (9/6)	95.60 (25/11)
France (e)	56.6	56.9	58.4 (7/1)	43.5 (10/6)
Germany (f)	799.0	801.5	813.3 (17/11)	712.6 (10/3)
Holland (g)	80.2	80.7	93.2 (4/5)	75.6 (23/3)
HongKong (h)	420.54	419.90	452.17 (11/8)	413.50 (27/7)
Italy (k)	59.03	59.24	73.71 (6/1)	57.93 (14/6)
Japan (m)	352.99	350.49	390.93 (29/9)	350.49 (24/11)
Singapore (n)	264.79	265.57	268.02 (29/8)	242.28 (3/5)
Spain (p)	66.08	65.49	102.57 (1/3)	65.37 (21/10)
Sweden (q)	289.64	286.66	416.68 (22/3)	228.61 (11/7)
Switzerl'd (r)	306.3	307.4	318.8 (14/10)	280.5 (3/3)

Indices and base dates (all base values 100 except NYSE All Common — 50, Standards and Poors — 10 and Toronto 300-1,000, the last-named based on 1975): (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73 (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New S.E. 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/76. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp. 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (c) Closed.

GERMANY ◆

Nov. 25	Prices Dm.	+ or −	Div. %	Yld. %
A.E.G.	93.6	−0.4	—	—
Allianz Versich.	473	+3	ø18	1.9
BMW	255.0	−0.6	20	4.3
BASF	146.0	−0.9	17	5.8
Bayer	138.4	−0.4	16	5.8
Bayer. Hypo.	298.0	−0.5	20	3.2
Bayer. Vereinsbk.	307	−2	20	2.7
Ciba Int. Ned. wrts	210		—	—
Commerzbank	217.2	+0.2	18	4.1
Conti Gummi	69.0	−0.5	—	—
Daimler Benz	367.5	−2.5	19	2.5
Degussa	269.0	−1.5	18	3.3
Demag	160.5	−1.5	14	4.7
Deutsche Bank	295.0xr	−0.5	20	3.4
Dresdner Bank	243.5		20	4.1
Dyckerhoff Zemt	150	+3	6	2.0
Gutehoffnung	198.8	−1.2	14	3.5
Hapag Lloyd	123	−1	12	4.8
Harpener	234	−1.5	19	3.8
Hoechst	137.0	−0.4	16	5.8
Hoesch	42.6	−0.4	4	4.7
Horten	144.0	−1.5	10	3.5
Kali und Salz	137.5	−0.5	9	3.3
Karstadt	365.0	−1.5	ø20	2.7
Kaufhof	243.5	−0.5	20	4.2
Klockner DM.100	89.2	−0.8	—	—
KHD	171.5	−1.5	12	3.4
Krupp	101.2	+0.2	—	—
Linde	239.5		16	3.3
Lowenbrau	1,510		20	1.3
Lufthansa	110.5	+1.0	7	3.2
M.A.N.	188.2	−0.8	14	—
Mannesmann	165.0		14	4.2
Metallges	246	−1	10	4.1
Munchener Ruck.	481	−19	18	1.9
Neckermann	127.5	−0.5	—	—
Preussag	158	−1	7	5.1
Rhein West Elect.	186.9	−1.1	17	4.5
Schering	267.0	+2.5	20	3.7
Siemens	293.0	−1.7	16	2.4
Sud Zucker	258.5	−0.5	ø19	3.8
Thyssen Hutte	113.7	+0.4	14	6.5
Varta	182.0	−0.2	14	3.8
VEBA	118.8	−0.2	12	5.0
Vereins & West Bk	165	−1	20	6.4
Volkswagen	212.2	−2.3	10	2.3

JOHANNESBURG

MINES

Nov. 25	Rand	+ or −
Anglo American Corpn.	4.55	
Charter Consolidated	3.05	
East Driefontein	11.55	
Elsburg	1.53	−0.02
Harmony	6.55	−0.20
Kinross	4.95	−0.13
Kloof	7.70	−0.30
Rustenburg Platinum	1.11	−0.02
St. Helena	†16.20	−0.40
Southvaal	6.70	−0.35
Gold Fields SA	16.25	−0.25
Union Corporation	4.80	−0.05
De Beers Deferred	5.25	−0.03
Blyvooruitzicht	5.80	−0.25
East Rand Pty.	†6.50	−0.50
Free State Geduld	20.30	−0.45
President Brand	15.00	−0.50
President Steyn	10.80	
Stilfontein	4.00	−0.15
Welkom	3.30	−0.10
West Driefontein	33.00	−0.50
Western Holdings	24.25	−0.10
Western Deep	†12.30	−0.15

INDUSTRIALS

	Rand	+ or −
AECI	2.10	
Anglo-Amer. Industrial	8.60	
Barlow Rand	3.40	+0.03
CNA Investments	†1.45	
Currie Finance	0.57	
De Beers Industrial	†8.00	+0.03
Edgars Consolidated Inv.	†1.80	
Edgars Stores	†21.00	
EverReady SA	†1.55	+0.07
Federale Volksbeleggings	1.50	
Greatermans Stores	†2.85 xd	−0.05
Guardian Assurance (SA)	1.50	
Huletts	2.00	
LTA	†1.55	
McCarthy Rodway	0.53	
NedBank	2.20	+0.02
OK Bazaars	5.45 xd	
Premier Milling	6.05	
Pretoria Cement	†3.20 xd	
Protea Holdings	0.92	−0.03
Rand Mines Properties	2.00	
Rembrandt Group	3.07	+0.01
Retco	0.38	−0.01
Sage Holdings	1.35	
SAPPI	1.70	
C. G. Smith Sugar	6.85	+0.05
Sorec	0.46	
SA Breweries	1.07	−0.01
Tiger Oats and Natl. Mlg	8.60	
Unisec	1.14	−0.02

Securities Rand Discount 35¼%

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OVERSEAS SHARE INFORMATION

NEW YORK

CANADA

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TOKYO ¶

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♦G. & A. Trust (a) (g)
5, Rayleigh Rd., Brentwood (0277) 227300

G. & A.	29.6	31.6	−0.1	4.90

CLIVE INVESTMENTS LIMITED
...yal Exchange Ave., London EC3V 3LU. Tel. 01-283 1101
...dex Guide as at 22nd November, 1977 (Base 100 at 14.1.77)
Clive Fixed Interest Capital 130.81
Clive Fixed Interest Income 123.14

INSURANCE BASE RATES

† Property Growth 6¼%
Cannon Assurance .... 2 %
† Address shown under Insurance and Property Bond Table.

CORAL INDEX: Close 462-467

...ex Limited 01-351 3466. Three months Tin 6915-6975

...INANCIAL TIMES STOCK INDICES

—	Nov. 25	Nov. 24	Nov. 23	Nov. 22	Nov. 21	Nov. 18	A year ago
...ment Secs.	74.32	74.06	75.27	75.13	75.93	76.59	58.36
...terest	77.40	77.73	78.12	78.15	78.78	79.02	57.91
...al Ordinary	466.0	456.7	470.0	471.8	475.3	480.5	302.6
...ines	159.4	143.3	143.4	140.1	141.1	143.3	132.7
.... Yield	5.70	5.80	5.66	5.64	5.61	5.56	7.21
...Y'ld % (full) (*)	17.20	17.50	17.07	17.00	16.90	16.81	22.59
...io (net) (*†)	8.26	8.12	8.32	8.35	8.40	8.44	6.48
...s marked	5,451	5,131	4,661	5,491	4,474	4,307	4,125
...urnover £m.	—	79.24	65.41	70.85	46.14	65.21	43.41
...bargains total	—	13,401	12,637	14,059	12,181	12,937	10,272

10 a.m. 459.2. 11 a.m. 460.2. Noon 465.2. 1 p.m. 464.6.
2 p.m. 465.1. 3 p.m. 464.8.
Latest Index 01-246 8026.
* Based on 52 per cent. corporation tax. † Nil=8.20.
...is 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold ...12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1977 High	1977 Low	Since Compilation High	Since Compilation Low
...ecs	79.85 (20/6)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
...nt	80.50 (1/10)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
...l	549.2 (14/9)	357.6 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)
...nes	174.5 (18/10)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Nov. 25	Nov. 24
—Daily		
Gilt-Edged	213.0	173.3
Industries	172.5	177.1
Speculative	41.4	38.4
Totals	124.3	116.8
5-day Av'rage		
Gilt-Edged	186.4	171.0
Industrials	165.6	161.6
Speculative	41.7	40.9
Totals	114.8	109.5

...INANCIAL TIMES STOCK INDICES

—	Nov. 25	Nov. 24	Nov. 23	Nov. 22	Nov. 21	Nov. 18	A Year ago
...al Group	195.78	192.95	198.24	198.27	200.77	202.86	120.61
...es	220.73	217.43	222.95	223.04	225.60	227.80	142.01
...ld pc	5.51	5.58	5.44	5.44	5.38	5.53	7.37
...io (net)	8.58	8.45	8.62	8.68	8.78	8.87	7.68
...es	203.06	200.09	204.69	204.70	207.06	209.07	131.15

...GAPORE

	$	Nov. 25	$
...ls	0.56	StraitsTrad'g	†5.70
...	†1.56	Tamengzong	†1.99
...bd	12.05	Times Pub.	
...	5.82	Berhad	†3.64
...	2.17	U. Engineers	†1.52
...	†3.68	U. Ov's. Bk.	2.99
...	†0.94	Wearne	3.32
...	1.38	Tractor	†3.38
...	†2.16	Chemical	4.16
...	†1.88	Willm Jacks.	†1.15
...	†4.72	Rubbers	
...	2.72	Batu Lantang	†1.45
...	†5.25	Dunl'pEstate	2.62
...	1.95	Kempas	†2.84
...	6.10	Tins	
...	1.26	Austral. Am.	—
...	2.04	Berjuntai	†7.50
...	†5.36	Kampar	—
...	1.91	Kramat	6.58
...	†2.30	Kuchai	—
...	†2.07	Lower Perak	—
...	†2.41	Petaling Tin	—
...		Supreme Cp.	1.79
...	—	TongkahHar.	3.30

...Unquoted. ‡ Seller. § Traded.

HONG KONG

Hong Kong$	Nov. 25	Nov. 18
Govt. Loan 1942	—	1.605
Amalgamated Rubber	—	—
Bowaters	—	—
China Light & Power	20.40	21.10§
City Hotels	‡36.50	—
Cosmopolitan Properties	†1.34	1.36§
Cross Harbour Tunnel	10.90	10.90
E. Asia Navigation	4.75	4.95
Hong Kong Aircraft	—	§67.00a
HongKng&WhampaoDocks	9.75	9.65
Hong Kong Electric	5.10	5.05
HongKongKowloonWharf	13.60	14.00
Hong Kong Land Invest.	6.75	6.85
HongKongShanghai Bank	18.20	18.40
HongKongShanghaiHotels	13.65	13.55
Hutchison International	3.05	3.05
Inter. Pacific Securities	7.50	7.60
Jardine Matheson	15.20	15.50
Jardine Secs	5.75	15.85
Rubber	1.77	1.70
Sime Darby	—	—
Southn. Pac. Prop.	0.57	‡0.61
Southern Textile	—	—
Swire Pacific A	6.00	6.10
Textile Alliance	—	—
TextileCorp of Hong Kong	—	—
Wheelock Marden	2.45	2.45
Wheelock Maritime	†3.60	†3.70
Winsor Industrial	1.89	1.88
Wynco	—	—

† Buyer. — Unquoted. ‡ Seller.

OFFSHORE AND OVERSEAS FUNDS

[illegible]

INSURANCE, PROPERTY, BONDS

[illegible]

NOTES

[illegible]

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15S	15M	Treasury 9pc 1978‡‡	100¾	9.8	8.93	6.40
14J	14Ju	Treasury 10½pc 78‡‡	102½	8.7	10.24	6.32
28M	28S	Exch. 5pc 76-78‡‡	98[illegible]	22.8	5.05	6.46
9S	9M	Treasury 11½pc 79‡‡	103¾	31.1	11.08	8.34
17M	17S	Treasury 3pc '79‡‡	95	11.6	3.16	5.55
26M	26S	Electric 4¼pc 74-79	95½	22.8	4.44	6.75
1M	1N	Treasury 10½pc '79‡‡	102⅞	25.3	10.21	8.83
15M	15N	Electric 3½pc '76-79	95¼	12.4	3.68	6.10
3S	3M	Treasury 9pc 1980‡‡	100⅝	26.7	8.94	8.69
14N	14M	Treasury 9½pc '80‡‡	100⅞	25.8	9.42	9.11
15D	15J	Treasury 3½pc '77-80	94[illegible]	9.5	3.72	6.09
15D	15J	Funding 5¼pc '78-80‡‡	95[illegible]	9.5	5.51	7.28
25M	25N	Exchequer 13pc 1980‡‡	108[illegible]	16.4	11.97	9.61
15J	15Ja	Treasury 11½pc 1981‡‡	104½	8.6	11.00	9.74
15A	15F	Treasury 3½pc 1979-81	90	11.7	3.89	7.02
1O	1A	Treasury 9¾pc 1981‡‡	99⅞	25.2	9.76	9.78
4F	4A	Exch. 9½pc 1981	98⅞	—	9.61	9.85
F21	A21	Exch. 3pc 1981●	90	—	3.32	5.80
17M	17N	Treas. Variable '81‡‡	97¾	—	5.04	5.57
23M	23N	Exch. 12¾pc 1981‡‡	109½	18.4	11.64	9.81
15J	15Ja	Treas. 8½pc '80-82‡‡	96	8.6	8.85	9.67
15A	15F	Treasury 3pc '82‡‡	86⅝	11.7	3.46	6.68
16S	16M	Treasury 14pc '82‡‡	113⅞	10.8	12.29	9.95
—		Treas. Variable '82‡‡	97[illegible]	—	5.05	5.54
Jan.	June	Treas. 8¼pc '82●	94[illegible]	—	8.71	9.72
22M	22S	Exch. 8¼pc 1982	92[illegible]	—	9.42	9.72

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 37¾% (based on $US1.8150 per £)

Conversion factor 0.7271 (0.7218)

CANADIANS

S.E. List Premium 37¾% (based on $2.0146 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Nov. May	Falcon Rh 50c	153	19.9	Q50c	ф	31.2
May	Rhod'n Corp. 16⅔p.	16½	28.3	0.57	4.3	5.2
—	Roan Cons. K4	55	12.74	—	—	—
Dec. July	Tanganyika 50p	136	17.10	Q11.0	1.1	8.1
Jan. July	Do. Pref. 80p	78	27.6	Q9%	14.8	9.2
Nov. May	Wankie Col. Rh 1	32	17.10	Q7½c	1.4	20.0
—	Zam Cpr SBD0.24	12½	11.74	—	—	—

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Acmex 25c	11	—	—	—	—
Nov. Apr.	Bougainville 50 Toea	65	15.3	Q10c	1.5	9.8
—	BH South 50c	60	974	—	—	—
Oct. May	Conzinc Riotinto 50c	180	—	Q9c	2.3	3.1
—	G.M. Kalgoorlie $1	52	6.67	—	—	—
September	Hamptn Areas 5p	83	25.7	1.45	4.1	2.6
—	Metals Ex. 50c	14	—	—	—	—
Dec. June	M.I.M. Hldgs. 50c	140	3.10	Q9c	1.7	4.0
—	Mount Lyell 25c	13	—	—	—	—
—	Newmetal 10c	2	—	—	—	—
June Nov	North B. Hill 50c	85	31.10	Q8c	1.5	5.8
—	Nth. Kalgurli	10½	—	—	—	—
June Nov.	Oakbridge $A1	134	26.4	Q11c	1.9	5.2
—	Pacific Copper	40	—	—	—	—
—	Pancont'l 25c	625	—	—	—	—
—	Paringa M&Ex 5p	12½	—	—	—	—
Apr. Oct.	Peko-Wallsend 50c	385	28.3	Q15c	ф	2.4
—	Poseidon 50c	75#	—	—	—	—
—	Vultan Mn. 50c	12	—	—	—	—
Oct. May	Westn. Mining 50c	102	19.9	Q6c	1.4	3.6
—	Whim Creek 20c	45	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Nov. Apr	Amal. Nigeria	30	17.10	2.51	1.6	12.7
Apr. Oct.	Ayer Hitam $M1	280	5.9	Q416.7c	0.9	36.8
Apr. Oct.	Beralt Tin	51	6.8	3.75	2.3	11.1
Jan. July	Berjuntai $M1	240	14.3	Q60c	ф	—
Feb. Oct.	Geevor	500	5.9	18.15	3.4	5.5
—	Gold & Base 12½p	10	10.74	—	—	—
July Dec.	Gopeng Cons.	290	31.10	13.2	1.9	6.9
—	Hongkong	135	11.67	—	—	—
Mar Sept.	Idris 10p	95	25.7	9.14	1.0	14.6
—	Jantar 12½p	10½	4.57	—	ф	—
—	Kamunting $M0.50	75	14.3	ZQ15.5c	1.2	5.1
Jan. July	Killinghall	450	13.6	†Q50.0	ф	11.1
—	Malay Dredging $M1	400	—	Q95.5c	ф	5.9
—	♦Pahang	27#	9.75	†Q2.5	0.5	9.3
July Jan.	Pengkalen 10p	61xr	14.11	5.58	1.3	13.9
Jun. Nov.	Petaling $M1	210	13.6	mQ121c	10.9	1.5
Mar. Oct.	Saint Piran	72	8.8	1.84	4.6	3.9
Jan. July	South Kinta $M0.50	198	31.10	†Q77.8c	1.4	9.8
June Jan.	Sthn. Malayan $M1	298	31.10	†Q151.3c	1.1	10.9
—	Sungei Besi $M1	150	—	—	—	—
—	Supreme Corp. $M1	55	974	ZQ10	—	4.5
Mar. Aug.	Tanjong 15p	90	25.7	Q6.2%	ф	11.1
Sept. Mar.	Tongkah Hrbr. $M1	95	23.5	mQ16.9%	0.3	4.4
Apr. Oct.	Tronoh $M1	180	5.9	ZQ30c	2.0	4.1

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
June Dec.	Messina R0.50	102	23.5	Q30c	ф	20.6

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Burma Mines 17½p.	9	575	—	—	—
—	Colby Mines $C1	102	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	250	27.6	†Q140c	1.4	‡
—	Northgate C$1	290	375	—	—	—
Jan. June	R.T.Z.	180	31.10	†8.5	q3.1	7.2
—	Sabina Inds. C$1	32	—	—	—	—
—	Tara Exptn. $1	£10	—	—	—	—
Nov. July	Tehidy Minerals 10p	45	17.10	1.21	2.5	4.1
October	Yukon Cons. C$1	128	15.9	Q7c	ф	3.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ● Excluding a final dividend declaration.
- ✦ Regional price.
- ∥ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 31

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	22	......
Ash Spinning	41xd	......
Bertam	17	......
Bdg'wtr. Est. 50p	243	−2
Clover Croft	23	......
Craig & Rose £1	330	......
Dyson (R.A.)	35	......
Ellis & McHdy	65	......
Evans Fr'k. 10p	26	......
Evered	15	......
Fife Forge	33	......
Finlay Pkg. 5p	17½	......
Graig Ship. £1	260	......
Higsons Brew	125	......
I.O.M. Stm. £1	155	......
Holt (Jos.) 25p	235	......
N'thn. Goldsmith	38	......
Pearce (C. H.)	111	......
Peel Mills	14	......
Sheffield Brick	45	......
Sheff. Refrshmt.	40	......
Shiloh Spinn	19	......
Sindall (Wm.)	83	......

IRISH

Conv. 9% '80/82	£95¾	−⅛
Alliance Gas	80xd	......
Arnott	295	......
Carroll (P.J.)	92	......
Clondalkin	65	+3
Concrete Prods.	105	......
Heiton (Hldgs.)	45	......
Ins. Corp.	130	......
Irish Ropes	123xd	......
Jacob	43	......
Sunbeam	21	......
T.M.G.	125	......
Unidare	67	......

OPTIONS

3-month Call Rates

Industrials	
A. Brew	6½
A.P. Cement	18
B.S.R.	11
Babcock	10
Barclays Bank	25
Berry Wiggins	5
Beecham	38
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	9
Cadburys	5
Courtaulds	10
Debenhams	10
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	16
Glaxo	40
Grand Met.	9
G.U.S. 'A'	18
Guardian	18
G.K.N.	22
Hawker Sidd.	60
House of Fraser	12
I.C.I.	25
"Imps"	7
I.C.L.	20
Inveresk	7
Ladbroke	17
Legal & Gen.	14
Lex Service	6
Lloyds Bank	22
"Lots"	5
London Brick	5
Lonrho	7
Lucas Inds.	25
Lyons (J.)	13
"Mams"	7
Mrks. & Spncr	13
Midland Bank	25
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	12
Plessey	9
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	18
Reyrolle	20
Spillers	4
Tesco	4
Thorn 'A'	22
Trust Houses	13
Tube Invest.	30
Unilever	30
Utd. Drapery	7½
Vickers	15
Woolworths	6
Property	
Brit. Land	3¾
Cap. Counties	5
E.P.	5
Intereuropean	5
Land Secs.	18
MEPC	12½
Peachey	10
Samuel Props.	10
Town & City	2
Oils	
Brit. Petroleum	45
Burmah Oil	7
Shell	28
Ultramar	22
Mines	
Charter Cons.	12
Charterhall Fin.	3½
Cons. Gold	20
Rio T. Zinc	16

FINANCIAL TIMES
Monday November 28 1977

Nuclear investment 'to beat energy gap'

BY RAY DAFTER AND DAVID FISHLOCK

FORECASTS of an energy gap developing in Britain unless it prepares for big investment in nuclear power before its North Sea reserves start to run out, will be laid before the 22-man Energy Commission at its first meeting to-day.

It is feared that in spite of the urgent need for action the decisions indicated by the forecasts will appear so unpalatable in some political quarters that attempts will be made to delay their publication as a Green Paper on long-term energy strategy.

Energy Department officials—whose work might be the most painstaking attempt by any nation to forecast long-term energy trends—believe that, given the political will, their Green Paper could be released by February.

The review by the Energy Commission, which was set up by Mr. Anthony Wedgwood Benn, Secretary for Energy, to advise *and assist him in developing a* national energy strategy, is seen as the final step in the development of the Green Paper before it is discussed with the Cabinet.

The most striking feature of the Energy Department's forecasts is that, although nuclear capacity is expected to grow only slowly until the end of the century, it must almost inevitably expand *dramatically* thereafter.

The alternatives to rapid nuclear expansion appear to be a lower rate of economic growth or large imports of fossil fuels.

North Sea oil and gas production are expected to start declining at about the same time; in the 1990s assuming present *Government forecasts on reserves* are correct, or 10-15 years later if unexpected discoveries are made.

Either way the figures being presented to the Energy Commission show that there is an urgent need to expand the coal and nuclear energy industries. From the 1990s coal will be used increasingly to make synthetic natural gas, leaving new nuclear plants to meet the baseload of electricity supplies.

Imports

Forecasts prepared by the Department of Energy show that if the country's economy grew about 3 per cent. a year and there was little expansion of the coal and nuclear industries, Britain could be faced with an energy shortfall equal to almost 120m. tonnes of coal annually in the year 2000.

This import requirement—equivalent to 37 per cent. of last year's energy consumption—could lead to a balance of payments burden amounting to £8.5m. at 1976 prices.

Even if the economic growth *rate was low—2 per cent. a year*—and coal and nuclear resources were fully exploited, there is likely to be a need for at least 20m. tonnes of coal equivalent of fuel imports in the year 2000.

The assumptions are made on the basis that gas — either natural gas or SNG — will continue to be a leading fuel in the domestic and commercial sectors, that coal will be the dominant fuel for power stations at least until the mid-1990s, and that oil be used increasingly for transport and chemical feedstocks but less for industrial, commercial and domestic purposes.

Although conservation is expected to trim energy demand by 20 per cent. in the next 25 years, energy consumption will continue to rise appreciably, perhaps more than doubling by the year 2025.

The commission comprises energy industry chiefs, trade union leaders and representatives of energy consumers.

New top boffin, Page 13
After AD 2000, Page 14

Tories suspect wider Common Market powers

BY RICHARD EVANS, LOBBY EDITOR

A SIGNIFICANT area of political agreement is emerging between Ministers and Conservative leaders opposing any increase in the powers of the European Community at the expense of the Westminster Parliament.

One of the major elements in Mr. Callaghan's radical formula for uniting the Labour Party over the Common Market has been the maintenance of the authority of the nine national Parliaments and this attitude now appears to have received the backing of Mrs. Thatcher, the Conservative leader.

The apparent toughening of the Tory Party attitude on an issue that Labour leaders regard as a potential electoral vote-winner is disclosed in a foreword Mrs. Thatcher has written for a book published to-day by Mr. John Biffen, Conservative MP for Oswestry and formerly a leading Tory anti-marketeer.

Mrs. Thatcher praises Mr. Biffen's latest views, which include advocating rundown of power exercised from Brussels and an increase in the authority of national Parliaments as "constructive criticisms which the Community's most impassioned supporters could welcome."

Some passionately pro-Market Conservatives will regard the remarks as a rebuff for the federalists in the party and for hopes of a rapid development in the powers of the European *Parliament.* But others will argue that the views are an accurate reflection of public opinion.

Conservative leaders have feared that Mr. Callaghan's unifying formula confirming the U.K.'s membership of the Common Market while insisting on the retention of power by Westminster could leave the Tories electorally vulnerable as the party which supported without question the extension of Brussels bureaucracy.

A modifying of the Conservative attitude is also illustrated by *widespread support in the* party for Cabinet moves towards more effective control by Westminster over EEC legislation, much of which is at present scrutinised in a very cursory way.

Mrs. Thatcher's endorsement of Mr. Biffen's ideas will be welcomed by the Prime Minister, who faces continuing opposition to direct elections within the Labour movement, particularly over the issue of Westminster sovereignty.

Common ground between the pro- and anti-Market factions in the Labour party will be sought at a meeting at 10 Downing Street to-day between the Cabinet, the National Executive Committee with the Prime Minister as chairman.

He will seek broad support for his proposals to ensure that any increase in the power of the European Assembly would require an Act of Parliament at Westminster, and that there should be greater Parliamentary control over European legislation.

In spite of the expected success of the Callaghan strategy in ending Labour calls for the withdrawal of the U.K. from the Common Market, the Premier will still face bitter party dissension over the Government's legislation proposing direct elections to the European Parliament.

Regional list

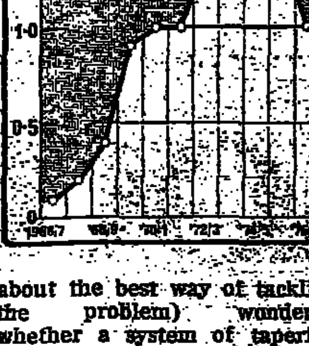
Mr. Callaghan is also certain to come under increasing pressure from Mr. David Steel, Liberal leader, to ensure that the majority of Labour MPs support *the regional list system of proportional* representation rather than the Westminster system of a simple majority when the issue is put to a vote before the Christmas recess.

Mr. Steel, deeply disappointed by the party's poor performance in the Bournemouth East by-election, now faces the prospect of a special party conference on the future of the Lib-Lab pact should the Commons vote on the regional list system be lost through lack of support from Labour MPs.

The Liberal leader was putting a *brave front yesterday on the* decision of the Liberal Council at Derby on Saturday to seek a conference if necessary. Close colleagues denied reports that he had threatened to resign should a conference be held.

THE LEX COLUMN
Capital gains and the tax man

The two months allowed for consideration of the Inland Revenue's discussion paper on tapering relief for the effects of inflation on capital gains tax comes to an end on Wednesday. However, it seems that many representative organisations may not be able—unless they get a move on—to meet the deadline, while others, including some City institutions who invest large sums of money on behalf of investors, will not even be taking the trouble to give the Revenue the benefit of their views. Admittedly, 60 days is not a very long discussion period, as Government consultation periods normally go. And after all, businessmen have had more than enough consultative documents of one kind or the other to deal with in the past couple of years.



Tax anomaly

But this discussion paper is different from the rest. It outlines proposals for dealing with what all the political parties agree has become a grave tax injustice, and there is every likelihood that the problem will be tackled in the next *Finance Bill. In order to* ensure that the necessary reforms are prepared in time for the Budget, the Inland Revenue needs to have all *comments within the next few days,* so that it may then proceed to more detailed talks with the accounting profession and other tax practitioners before Christmas. In any event, its proposals must be in the hands of Treasury Ministers by early January.

Capital gains tax was first introduced in the United Kingdom in 1965 to tax gains on capital transactions in the same way as if they were income, but the CGT rate was set at a relatively low 30 per cent. The logic of this was that such gains might well have accrued over a period of years while the gain was being taxed in one year, and also gave some concession to the (then relatively low) impact of inflation. But inflation rates have increased dramatically since 1965—to such an extent, in fact, that only about a quarter of the meagre yield from this tax is now thought to relate to real capital gains.

It was this anomalous position which inspired both the Liberals and the Conservatives to propose measures for removing the inflationary element from capital gains during the debate on the 1977 Finance Bill. While the Liberals wanted indexation of assets, the Tories (who really are still undecided about the best way of tackling the problem) wondered whether a system of tapering reliefs—say, allowing a 10 per cent. reduction in a capital gain for each year the asset was held—would be easier to operate.

The Government was sympathetic, and promised to bring forward a proposal "as uncomplicated as possible." Hence, the Inland Revenue's discussion paper—one of the first ever to be published—and the attention which it pays, first to tapering, and then indexation.

Contrary to some expectations, the Inland Revenue is not unduly enthusiastic about tapering in preference to indexation. "It would be extremely difficult," the paper says, to introduce a tapering system without substantial extra work both for officials and taxpayers. But the main objection to tapering must be that, while it is one means of reducing the impact of capital gains tax, it has no direct connection with the disease—inflation.

Tapering relief

As a result, all sorts of unacceptable anomalies might arise. Since tapering operates by *reducing the gain according* to the length of time an asset has been owned the extent of the relief is the same whether the cost of the asset was large or small, or there was no cost at all. Then there is the question of losses, given that tapering makes no distinction between inflationary and other gains. The Board of Inland Revenue believes it would be wrong to provide for any scaling up of losses.

Indexation—whereby the cost of an asset for CGT purposes is increased to take account of the fall in the value of money—would be the ideal way of solving the problem, and it would be equitable. But, like tapering, it would involve a major reform of the CGT legislation. In addition, there such matters as suitable ... to be decided upon. The d... sion paper states that all difficulties are soluble, b... Inland Revenue argues th... would involve considerabl... plexity, resulting in highe... costs and increased comp... costs for taxpayers "as g... greater than those asso... with tapering."

Small gains

But apart from tapering ... *indexation, what other po...* ... are there? Tucked a... the end of the Revenue's ... sion paper are two pro... the first, for a reduction ... rate of CGT, the second, a ... more plausible suggest... *small gains* exemption ... for example, there would ... CGT charge if net agg... gains in a tax year d... exceed £1,000. (This is ... be confused with the e... *small disposals* exempt... £1,000, where the exemp... based on the gross sale ... of the asset.) There co... lower rates, such as 15 ... per cent., for gains b... £1,000 and £5,000, wit... normal rate thereafter.

The dramatic effect this ... have is not revealed ... Revenue's paper, but ... well be aiming at re... something like half the ... ing number of assessment... the CGT net. In other ... upwards of 150,000 tax... could forget about capita... tax. Since it is by far th... expensive tax collected ... currently yields less thar ... cent. of total revenue this ... be a small loss indeed.

The only other pos... would be for the ... abolition of CGT. This ... will probably be taken ... Stock Exchange's submis... the Inland Revenue, bu... doubtful whether it wo... practical politics fo... Government in the fore... future.

Finally, there is a ... section in the Inland R... discussion document ... with "transfers of ... assets." This describes the ... indefensible double tax ... which can arise where ... gains tax and capital ... tax interact as for e... where shares in a fami... pany are transferred ... the donor's lifetime. ... of the present Govern... concern for smaller co... it would be a pity ... mentators on the capita... tax discussion paper ... opportunity to give the ... ment all the justifica... needs to secure a chan... as quickly as possible.

Fukuda changes Cabinet ahead of economic boost

BY CHARLES SMITH

TOKYO, Nov. 27.

MR. TAKEO FUKUDA, Japan's Prime Minister, will announce a Cabinet reshuffle to-morrow. He intends to strengthen the Government's economic team and provide a jumping-off point for more effective measures to reflate the economy.

The new Cabinet will have two immediate tasks: working out measures to prove to the U.S. that Japan is genuinely anxious to reduce its large trade surplus: and preparing the 1978 budget, on which most hopes for reflation appear to hang.

An emergency 15-month budget is being considered. This would include additional appropriations for the last three months of the current fiscal year (*January to March 1978*), as well as for fiscal 1978 proper.

The decision to go ahead with the unusual plan will be up to the new Cabinet, whose members could show more independence from the line laid down by Mr. Fukuda than the Prime Minister's first Cabinet has done. All those canvassed for inclusion in the new line-up are men likely to favour energetic fiscal measures to get the economy moving again.

About half-a-dozen names were being canvassed to-night for senior economic posts in the Cabinet, including those of Mr. Toshio Komoto (a former Trade and Industry Minister, and until to-day chairman of the ruling Liberal Democratic Party's policy research council), and Mr. Kiichi Miyazawa, an economic expert who is sometimes thought of as an eventual contender for party leadership.

Factions

The distribution of posts will be designed to strengthen the Prime Minister's standing in the Liberal Democratic Party, in preparation for party leadership elections due at the end of next year.

The second of these objectives means Mr. Fukuda will be seeking *to distribute Cabinet posts* as widely as possible among party factions, rather than confining appointments to his own entourage, as he appeared to do with his first Cabinet.

As a prelude *to the reshuffle* proper, Mr. Fukuda to-day decided on changes in the internal leadership of the Liberal Democratic Party. Some appear to have gone against the wishes of Mr. Masayoshi Ohira, the secretary general, who is usually regarded as heir-apparent to the premiership.

The new list of appointees include Mr. Naka Funada as vice-president of the party (filling a previously vacant post), and Mr. Yasuhiro Nakasone as chairman of the party's executive council.

Writ against union after Express extra copies row

BY ALAN PIKE, LABOUR CORRESPONDENT

A WRIT has been served on the Society of Graphical and Allied Trades for hearing in the High Court to-day following the union's *refusal to distribute* extra copies of national newspapers during the Daily Mirror dispute.

The action is by Beaverbrook Newspapers, which wishes to produce extra copies of the Daily Express while London editions of the Daily Mirror are not appearing.

SOGAT members in national *newspaper offices* were told last week that extra copies should not be produced or distributed as a result of the failure of the Daily Mirror to appear. Mr. Bill Keys, general secretary of SOGAT, says that the union gave the direction after taking the consensus of opinion of members working in the national Press.

The decision was criticised by *the Newspaper Publishers Association* which said that it could not accept that a union or any other group had the right to determine or place restrictions on the number of copies of newspapers which could be printed.

Mr Keys said last night that SOGAT would be represented in the High Court this morning.

The dispute, which has stopped *London editions of the Daily* Mirror for a week, remained in deadlock yesterday. No copies of the Sunday Mirror and Sunday People were produced in London yesterday, taking Mirror Group Newspapers' losses to £3m.

Journalists employed by the group were dismissed last week after rejecting a £1,513 pay and allowances offer and continuing to press a claim for increases of about £3,000. On Friday the company withdrew its offer after consultations with officials at the *Department of Employment.*

Failed

Talks between management and the National Union of *Journalists* at the week-end failed to produce an acceptable formula for a return to work. The two sides failed to agree on withdrawal of the NUJ claim, loss of pay during the dispute and a management request for assurances that the journalists would hold no further mandatory meetings likely to disrupt production without permission.

● Officials of the NUJ, the National Graphical Association and SLADE, the process workers union, are to seek talks with Westminster Press this week in a further bid to resolve the six-*months-long journalists'* closed shop dispute at Darlington.

Lord George-Brown, the former Labour Minister who is now a journalist and broadcaster, said at the week-end that he had joined the *non-TUC affiliated* Institute of Journalists rather than the NUJ because he felt the Darlington dispute was damaging to the Press in modern times.

U.K. protest over export credits

BY MARGARET HUGHES

PERSISTENT rumours that France is about to break the gentlemen's agreement on export credits has prompted Mr. Denis Healey, the Chancellor, to write in protest to M. Raymond Barre, French Prime Minister. The U.S. Treasury is understood to have made a similar protest.

Britain and the U.S. are expected to make a formal complaint at next week's meeting of the Organisation of Economic Co-operation and Development when the agreement—between the main exporting *nations*—is up for its six-monthly review. Both are anxious not to see a return to the self-defeating credit competition which the agreement was set up to eliminate and which would inevitably re-occur were France to break it.

Rumours that it is about to do so have been set off because early next month France is due to review interest rates on the Frs.1.56bn. credit which it extended to Russia in 1974. If the agreement is to mean anything, then France is obliged to stick by the interest rate guidelines set and raise its interest rates.

But France is being enticed by Russian promises "in principle" that £700m. worth of machinery and equipment orders will be placed in France in 1978 *if the French do not raise their* interest rates, or at least keep them to a maximum of 7.35 per cent.

The agreement established in *June last year,* set minimum interest rate levels for credits extended to three categories of countries: poor, intermediate and rich, depending on Gross National Product per capita.

Russia is classified as an intermediate country. This means that for export credits of more than five years, which normally apply to capital goods exports, the minimum interest rate is 7.75 per cent.

This is substantially higher than the rates which Russia has paid previously, though neither Britain nor France have disclosed officially the rates on their Russian credits.

However, it is generally known that for contracts of more than £30m. it has been about 7 per cent., with each country inevitably undercutting the other in the anxiety to persuade Russia to take up the credits.

Unlike the credits extended by the Italians, both the French and the British credits—£950m. signed by Sir Harold Wilson in 1975—have been largely unused.

Britain was seen to have behaved like a gentleman when on August 16—the date set for its interest rate review—it told Russia that for future contracts *financing would have to comply* with the agreement.

So far, its adherence to the agreement, and Russian acceptance of it, have not been tested because no major new deals have come up for signing, although although several are said to be in the pipeline. Italy, too, is reported to have just signed a new Russian credit which complies with the deal.

If France does go ahead and offers lower interest rates, then the Export Credits Guarantee Department *has* indicated that it would be prepared to match French terms when a British contractor was competing for the same order.

But, obviously the British Government would prefer not to, for it would mean a return to the days of cut-price export credit and consequent drain on public funds.

Continued from Page 1

Cairo peace plan

whether or not he had received further communications from Saudi Arabia since his speech on Saturday morning. He commented: "*It is for them to* decide what to do."

But he added confidently: "Saudi Arabia and Egypt have always been friends and always will be."

The President said he had been stunned by his success and he had not anticipated that *he would get so far in Israel,* and that he would receive such support in Egypt.

"I did not think I would reach the hearts of the Israeli people that way. It was completely stunning when I got back to Egypt. I knew I had been speaking for my people's feelings but even here I was astonished at the millions who demonstrated their support."

He agreed that there were now Egyptians who opposed his actions but he was totally confident that he had gauged *correctly the mood of the public*, and the army.

He conceded that there were possibilities of attempts at active opposition. Discussing whether fanatics in the army might attempt a coup, he said: "I know my army is behind me. I think they would cast down such things without even telling me."

He had accepted that whatever the *PLO* leadership decided, there would be some Palestinians who might launch terrorist attacks in reaction to his peace moves.

"Some may do these things. They may try. There are fanatics in the world who might try to assassinate me but I have lived with this since 1971."

The President was certain that, even if he were assassinated his successor would follow his course reflecting the desire for peace of the Egyptian people at large.

He said he was aware of difficulties the Israeli Cabinet was experiencing in responding unanimously to his call for *Israeli recognition of Palestinian* rights. But he added: "It is important what Israeli *leaders* think—even though I have gained the hearts of the Israeli people. In this phase, public opinion is important and their leaders know what is important."

He conceded that Israeli public opinion appeared far ahead of the position of Mr. *Menahem Begin himself* but believed "Mr. Begin will adapt himself to the new situation.

"After all, why did Likud *defeat Labour? On the issue* of security. I told them they can have whatever they want for security but no territory more than a kilometre here or there. They don't need it after what I have given them. There are new facts after my visit which people must come to terms with."

Asked whether he thought Mr. Begin might try to resist public opinion in Israel which clearly is demanding a big gesture, he said: "He is a fighter. But if he doesn't *change he will commit an error* in the face of public opinion."

Weather

U.K. TO-DAY

SHOWERS, sunny spells, cold.

London, Cent. S., S.W., N.W., Cent. N. England, E. and W. Midlands, N. and S. Wales, Lake District, Isle of Man, Borders, Edinburgh, Dundee, Aberdeen
Frost, freezing fog patches, sunny. Max. 3-5C (37-41F).

S.E., E. and N.E. England, E. Anglia, Channel Isles
Cloudy, scattered showers, cold. Max. 5-6C (41-43F).

Moray Firth, N.E. *and* N.W. Scotland, Argyll, Orkney, Shetland, N. Ireland
Cloudy, dry, cold. Max. 4-5C (39-41F).

OUTLOOK: Dry, cold, sunny intervals.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amsterdm	S	2	36	Madrid	C	5	41
Athens	C	16	61	Manchestr	C	4	39
Bahrain	S	26	79	Melbourne	C	29	84
Barcelona	F	19	66	Milan	F	6	43
Beirut	S	26	79	Montreal	C	−12	10
Belfast	C	5	41	Moscow	R	1	34
Belgrade	C	3	37	Munich	Sn	−1	30
Berlin	C	3	37	Newcastle	C	3	37
Birmghm	S	4	39	New York	S	−1	30
Bristol	S	2	36	Oslo	F	−3	27
Brussels	S	1	34	Paris	C	1	34
Budapest	Sn	1	34	Perth	R	20	68
B. Aires	S	14	57	Prague	C	0	32
Cardiff	F	3	37	Reykjavik	C	3	37
Chicago	Sn	−4	25	Rio de J'o	S	30	86
Cologne	C	1	34	Rome	S	12	54
Copenhagn	S	−1	30	Singapore	C	31	88
Dublin	F	5	41	Stockholm	Sn	−2	28
Edinburgh	S	1	34	Strasbrg	C	1	34
Frankfurt	C	2	36	Sydney	C	24	75
Geneva	C	2	36	Tehran	S	15	59
Glasgow	S	0	32	Tel Aviv	S	23	73
Helsinki	C	−5	23	Tokyo	C	16	61
H. Kong	S	23	73	Toronto	S	−7	19
Jo'burg	C	22	72	Vienna	R	4	39
Lisbon	C	14	57	Warsaw	C	2	36
London	S	5	41	Zurich	C	6	43
Luxembrg	C	−2	28				

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	C	10	50	Jersey	F	7	45
Algiers	C	15	59	Las Palmas	C	19	66
Biarritz	S	6	43	Locarno	S	7	45
Blackpool	F	5	41	Majorca	S	13	55
Bordeaux	S	5	41	Malaga	S	17	63
Boulogne	C	3	37	Malta	C	15	59
Casablnca	F	16	61	Nairobi	R	20	68
Cape Tn	C	26	79	Naples	S	10	50
Corfu	F	13	55	Nassau	S	26	80
Dubrovnik	S	9	48	Nice	S	11	52
Faro	S	15	59	Nicosia	S	22	72
Florence	F	8	46	Oporto	R	14	57
Funchal	C	18	64	Rhodes	F	21	70
Gibraltar	F	16	61	Salzburg	C	0	32
Guernsey	F	7	45	Tangier	S	16	61
Innsbruck	Sn	0	32	Tenerife	C	14	57
Inverness	S	−1	30	Tunis	F	12	54
Is of Man	S	7	45	Valencia	F	12	54
Istanbul	F	15	59	Venice	S	10	50

C—Cloud. F—Fair. R—Rain. S—Sun. Sn—Snow.

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